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STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF GAMING ENFORCEMENT

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REPORT OF THE DIVISION OF GAMING
ENFORCEMENT ON THE APPLICATIONS OF TRUMP
TAJ MAHAL ASSOCIATES, TRUMP'S CASTLE
ASSOCIATES, L.P., TRUMP PLAZA ASSOCIATES AND
TRUMP CASINO SERVICES, L.L.C., FOR RENEWAL OF
THEIR CASINO AND CASINO HOTEL ALCOHOLIC
BEVERAGE LICENSES

(PRN 3449807, PRN 3449809, PRN 3449813 AND
PRN 3449811, RESPECTIVELY)

FOR WAIVER OF SECURITY HOLDERS
(PRN 3449808, PRN 3449810, PRN 3449814 AND
PRN 3449812, RESPECTIVELY)

AND FOR OTHER RELIEF (PRN 1409901)

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TRENTON, NEW JERSEY
DATED: MAY 26, 1999

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I. INTRODUCTION

On June 22, 1995, the Casino Control Commission ("Commission") issued a casino license to Trump Taj Mahal Associates ("TTMA" or "Taj Mahal"), Trump's Castle Associates ("TCA" or "Castle" or "Marina") and Trump Plaza Associates ("TPA" or "Plaza" and together with TTMA and TCA, "NJ Operating Casinos"), effective that date through March 31, May 31, and June 30, 1999, respectively. Resolution No. 95-173-A, Resolution No. 95-173-B and Resolution No. 95-173-C, respectively.¹ TTMA operates a casino hotel on the Boardwalk in Atlantic City that does business as Trump Taj Mahal Casino Resort. TCA operates a casino hotel in the Marina District of Atlantic City, which, until June 27, 1997, did business as Trump's Castle Casino Resort, but since then has been doing business as Trump Marina Hotel Casino. TPA operates a casino hotel that is also located on the Boardwalk in Atlantic City and does business as Trump Plaza Hotel and Casino and since December 1996 has included Trump World's Fair ("World's Fair"), also located on the Boardwalk and connected to TPA's other buildings by an enclosed walkway at the front of the Atlantic City Convention Hall.

On July 22, 1998, the Commission issued a casino license to Trump Casino Services, L.L.C. ("TCS"), effective July 24, 1998, through July 24, 1999. Resolution No.

¹As will be more fully discussed in the text below, TPA's 1995 license permitted it to own and operate the casino and tower located on the city block bounded by the Boardwalk, Columbia Place, Pacific Avenue and Mississippi Avenue and the casino and tower across Columbia Place and connected to its other building by an enclosed pedestrian walkway. In the intervening years, after obtaining Commission approvals, TPA has expanded its gaming and hotel operations into a third building also connected to its other building by an enclosed pedestrian walkway.

98-15-8. TCS provides management, administrative and other support services to the NJ Operating Casinos.

Concomitant with the issuance of the casino licenses, the Commission issued Casino Hotel Alcoholic Beverage ("CHAB") licenses to TTMA, TCA and TPA, and based upon a Cooperative Purchase Agreement among TCS, TTMA, TCA and TPA, a CHAB license to TCS. Resolution No. 95-173-A, Resolution No. 95-173-B, Resolution No. 95-173-C and Resolution No. 98-15-8, respectively.

In accordance with the Casino Control Act ("Act"), *N.J.S.A. 5:12-1 et seq.*, TTMA, TCA, TPA and TCS (collectively "Applicants") have applied to the Commission for renewal of their casino and CHAB licenses for a four-year period (PRN 3449807, PRN 3449809; PRN 3449813 and PRN 3449811, respectively). *N.J.S.A. 5:12-80 et seq.* In conjunction with their license renewal applications, the Applicants filed petitions seeking rulings concerning the holders of the debt and equity securities issued by them and their holding and intermediary companies and their financial sources (PRN 3449808; PRN 3449810; PRN 3449812; PRN 3449814, respectively).

In January 1999, the Applicants filed a joint petition seeking to consolidate their renewal hearings, which the Commission granted on March 31, 1999. Resolution No. 99-7-12. The Commission extended the licenses of TTMA and TCA until the earlier of the Commission's final disposition of the consolidated proceedings or June 30, 1999, and tentatively scheduled the consolidated hearing for the public meeting of June 23, 1999.

Ibid.

On May 20, 1999, the Applicants filed a petition seeking approval to extend the maturity date of two loans (PRN 1409901). This matter will be discussed below in conjunction with the analysis of the financial stability of each of the Applicants.

The Division of Gaming Enforcement ("Division") has maintained an ongoing investigation of each of these Applicants and the areas related to their continued qualification. *N.J.S.A. 5:12-76; see N.J.S.A. 5:12-80 et seq.* This report sets forth the results of the Division's investigation and summarizes significant developments during the past license period. The Division filed separate reports on the requests for renewals of their CHAB licenses.

II. GENERAL INFORMATION

A. ENTITIES

The relationship among the Applicants and their various holding and intermediary companies are set forth in a chart of the Organizational Structure of Trump Hotels & Casino Resorts, Inc. ("THCR"). Exhibit 1. THCR beneficially owns approximately 63% of each of the Applicants, and Donald J. Trump ("DJT") beneficially owns approximately 37%.

1. Applicants for Renewal of a Casino License

a. Trump Taj Mahal Associates

On March 29, 1990, effective on April 26, 1990, TTMA was issued plenary casino and CHAB licenses. TTMA's licenses were renewed annually until March 15, 1993, when the Commission issued TTMA 23-month licenses. On March 24, 1995, the Commission extended the term of TTMA's licenses to June 30, 1995. Resolution No. 95-6-17. On June 22, 1995; the Commission held a consolidated hearing concerning the renewal applications of TTMA, TCA and TPA and renewed all licenses for four years.

TTMA was initially formed as a New Jersey limited partnership. On December 12, 1990, it converted to a New Jersey general partnership in anticipation of a restructuring. A Plan of Reorganization was confirmed by the United States Bankruptcy Court for the District of New Jersey ("NJ Bankruptcy Court") on August 28, 1991, with an effective date of October 4, 1991. DJT, who previously beneficially owned all of TTMA, then held a 50% beneficial interest in TTMA, and the holders of previously issued 14% First Mortgage Bonds collectively held the remaining 50%. This was the corporate structure at the time of TTMA's last renewal in 1995.

On April 17, 1996, approximately 10 months after the Commission last renewed its licenses, various transactions occurred ("Taj Merger") that resulted in TTMA being acquired as a wholly beneficially owned subsidiary of Trump Atlantic City Associates ("TACA"). See Division's Report on the Petition of Trump Plaza Associates and Trump Taj Mahal Associates for Certain Declaratory Rulings With Respect to a Merger Transaction, the Issuance of Certain Securities and Other Relief (PRN 068608), dated April 3, 1996. Specifically, TACA acquired 99% of TTMA, and Trump Atlantic City Corporation ("TACC"), which is wholly owned by TACA, acquired the remaining 1%.

TTMA operates a casino hotel on the Boardwalk. In December 1996, TTMA opened a new bus terminal with 14 bays. In July 1997, a 7,000 square-foot casino expansion with Boardwalk frontage was completed. TTMA currently has a 42-story hotel tower with contiguous low-rise structures on approximately 30 acres of land. It has 1,250 guest rooms, 242 of which are suites, and 147,720 square feet of gaming space, which includes a poker, keno and race simulcasting room that is approximately 12,000 square feet.

b. Trump Castle Associates, L.P.

On June 14, 1985, effective June 19, 1986, TCA was issued plenary casino and CHAB licenses. TCA's licenses were renewed annually thereafter until May 10, 1989, when it was issued two-year renewal licenses, effective May 16, 1989. Twice thereafter, in 1991 and 1993, TCA was issued two-year renewal licenses. On March 24, 1995, the Commission extended the term of TCA's license to June 30, 1995. Resolution 95-6-17. On June 22, 1995, the Commission held a consolidated hearing concerning the renewal applications of TTMA, TCA and TPA and renewed all licenses for four years.

In 1985, DJT formed TCA as a limited partnership, which he wholly beneficially owned. Simultaneously, Trump's Castle Funding, Inc. ("TCFI"), was incorporated to serve as a financing vehicle for TCA, which thereafter used the proceeds of TCFI debt offerings primarily to acquire a casino facility located in the Marina District. At the time of its formation, DJT also wholly beneficially owned TCFI. In February 1992, in anticipation of a restructuring, TCA was converted from a limited partnership to a general partnership. Pursuant to a Plan of Reorganization, confirmed by the NJ Bankruptcy Court on May 5, 1992, and completed on May 29, 1992, DJT became the beneficial owner of 50% of TCA, and the holders of debt securities previously issued by TCFI became the beneficial owners of the remaining 50%. In December 1993, TCA again recapitalized, resulting in DJT regaining sole beneficial ownership by personally acquiring a 61.5% interest, Trump Casinos II, Inc. ("TCI-II" or Trump Casinos II"), which is wholly owned by DJT, acquiring a 37.5% interest and Trump's Castle Hotel & Casino, Inc. ("TCHC"), also wholly owned by DJT, acquiring a 1% interest. At the time of the last renewals in June 1995, this was the corporate structure.

Approximately fifteen months thereafter, on October 7, 1996, Trump Hotels & Casino Resorts Holdings, L.P. ("Trump Holdings"), became the sole beneficial owner of TCA ("Castle Acquisition"). See Division's Report on the Petition of Trump's Castle Associates, Trump Taj Mahal Associates and Trump Plaza Associates for Certain Approvals and Other Relief With Respect to the Acquisition of Trump's Castle Associates by Trump Hotel & Casino Resorts Holdings, L.P. (PRN 239604), dated September 3, 1996. This was accomplished through a series of transactions that resulted in Trump Holdings

acquiring a 99% ownership interest in TCA and becoming the sole owner of TCHC, which in turn acquired a 1% interest in TCA.

TCA currently has one subsidiary, TCFI, which was incorporated in New Jersey on May 23, 1985. It originally had the name TCH Financial Corporation, but one day after its formation, the name was changed to its present form. It is authorized to issue 2,500 shares of common stock; all of the 200 outstanding shares are currently owned by TCA.

TCA operates a casino hotel on 14.7 acres in the Marina District, approximately two miles from the Boardwalk. During the second quarter of 1997, the property was rethemed with a nautical emphasis and changed its name from Trump's Castle Casino Resort to Trump Marina Hotel Casino. It currently has a 27-story hotel tower with 728 rooms, including 153 suites, 97 of which are luxury suites, and contains approximately 75,900 square feet of gaming space. TCA also operates a 645-slip marina that is adjacent to the casino hotel. An elevated enclosed walkway connects TCA to a two-story building that contains offices, a nautically themed retail store, a cocktail lounge and a restaurant.

c. Trump Plaza Associates

On May 8, 1984, effective May 26, 1984, TPA received a plenary casino license. That license was renewed annually thereafter until May 10, 1989, when it was issued a two-year casino license. Twice thereafter, in 1991 and 1993, TPA was issued two-year renewal licenses. On April 19, 1993, the Commission issued TPA a 25-month license that would expire on June 30, 1995. On June 22, 1995, the Commission held a consolidated hearing concerning the renewal applications of TTMA, TCA and TPA and renewed all licenses for four years.

TPA was created as a New Jersey general partnership on June 30, 1982. Prior to May 1992, TPA was 99.99% owned by DJT and .01% owned by Trump Boardwalk Realty Corporation, a New Jersey corporation wholly owned by DJT. Pursuant to a Plan of Reorganization, confirmed by the NJ Bankruptcy Court on April 30, 1992, and consummated on May 29, 1992, TPA was reorganized so that there were three general partners: Trump Plaza Funding, Inc. ("TPFI"), owned by the holders of the debt securities previously issued by TPFI; (2) TP/GP Corp. ("TPGP"), owned equally by TPFI and DJT, and (3) DJT.

Shortly before the renewal of TPA's casino license in June 1995, there was an initial public offering of 10,000,000 shares of THCR common stock ("THCR Stock") as part of a series of transactions ("95 Offerings"), the result of which was the formation of a public company, THCR, that beneficially owned approximately 63% of Trump Holdings, which in turn acquired sole beneficial ownership of TACA. See Division's Report on the Petition of Trump Plaza Associates With Respect to the Issuance of Certain Securities, the Creation of Certain Entities and for Other Relief (PRN 116501), dated June 2, 1995, and the Division's Report on the Application of TPA for Renewal of its Casino License (PRN 096501), dated June 12, 1995. TACA became a 99% partner in TPA and sole owner of TACC, which became a 1% partner in TPA.

When shortly thereafter the Commission renewed TPA's casino license, TPA operated a casino hotel on the Boardwalk that consisted of a main tower located on the parcel of land bounded by the Boardwalk, Columbia Place, Pacific Avenue and Mississippi Avenue ("Main Tower") and was constructing a casino hotel in a tower across Columbia Place ("Trump Plaza East"), which had previously been a Holiday Inn. Beginning in May

1996, TPA opened a total of approximately 15,000 square feet of casino space and 349 rooms, including nine super suites, in Trump Plaza East.

Since the last renewal, TPA has also expanded into the World's Fair, which had previously been known as Trump Regency, by opening 49,211 square feet of gaming space and 500 hotel rooms. Initially, the Commission issued TPA a separate casino license to operate World's Fair, which became effective upon the issuance of World's Fair's Operating Certificate on May 17, 1996, and was valid for one year. Resolution No. 96-100-B. On December 18, 1996, however, the Commission approved TPA's surrender of this second license and permitted TPA to operate World's Fair under TPA's original 1984 casino license. Resolution No. 96-24-24.

World's Fair is connected to the Main Tower via a walkway in the front of the Atlantic City Convention Center that overlooks the Boardwalk, and Trump Plaza East is connected to the Main Tower via a walkway over Columbia Place. TPA's frontage on the Boardwalk is now nearly a quarter of a mile, its gaming space is 138,295 square feet, and the number of its hotel rooms is 1,404.

d. Trump Casino Services, L.L.C.

The Commission issued TCS an initial one-year casino license on July 24, 1996, effective that date, and a CHAB license on January 1, 1997, effective that date and through July 24, 1997. Resolution No. 96-14-4-B. The Commission twice thereafter renewed TCS's casino and CHAB licenses for a one-year period. Resolution No. 97-15-10; Resolution No. 98-15-18.

TCS is a limited liability company formed in the State of New Jersey on June 17, 1996, approximately one year after the Commission renewed the casino licenses of the NJ

Operating Casinos. According to its Operative Agreement, executed on July 8, 1996, TCS is to provide management, administrative and other similar and related services with respect to the business and operations of certain affiliated companies.

Beginning on July 8, 1996, TCS entered into Services Agreements with various affiliated companies to provide them with such support services. Initially, those services were to be provided to TPA and TTMA, both of which were wholly beneficially owned by TACA; following the Castle Acquisition, TCS amended its Services Agreement as of October 8, 1996, to include TCA. On January 1, 1998, the Services Agreement was amended and restated for a second time to include Trump Indiana, Inc. ("Trump Indiana").

TCS was created with the same corporate structure as both TPA and TTMA; it has two partners, TACA, a 99% partner, and TACC, a 1% partner. This structure has been retained ever since.

TCS has a single subsidiary, Trump Communications, L.L.C. ("Trump Communications"), a limited liability corporation formed in the State of New Jersey on January 31, 1997, for the purpose of consolidating advertising functions of and providing certain services to the NJ Operating Casinos. TCS is a 99% member and TACC a 1% member. When formed, Trump Communications intended to provide advertising and certain other services to TCA and TTMA and was, therefore, identified as a discretionary qualifier of TCS in conjunction with TCS's subsequent application for renewal of its casino license in July 1997. *N.J.S.A. 5:12-85d.* When the Commission qualified Trump Communications, it did so without prejudice to a subsequent determination that it be required to hold a license as a casino service industry or otherwise. Resolution No. 97-15-

10 at Findings ¶12. Trump Communications has never actually provided services to any NJ Operating Casino and is currently inactive.

2. Holding and Intermediary Companies

There are currently 18 entities that are holding and intermediary companies of one or more of the Applicants. These 18 entities are identified on THCR's "Organizational Structure" chart. Exhibit 1. Additionally, those entities that must be qualified in conjunction with each Applicant's request for renewal of its casino license are identified on the "Entity Qualifiers" chart. Exhibit 2. As these Exhibits show, Trump Holdings now wholly beneficially owns all four Applicants, and DJT and THCR share beneficial ownership of Trump Holdings, with DJT owning approximately 37% and THCR 63%.

Trump Holdings is a limited partnership formed in the State of Delaware on March 28, 1995. At the time of the last renewal of the NJ Operating Casinos in 1995, it wholly owned Trump Hotels & Casino Resorts Funding, Inc. ("Trump Funding"), Trump Atlantic City Holding, Inc. ("Trump AC Holding"), and Trump Indiana, had a 99% interest in TACA, and, based upon TACA's organizational structure at that time, wholly beneficially owned one of the Applicants, TPA. Since those renewals, however, Trump Holdings has acquired sole beneficial interest in the other three Applicants: TTMA in April 1996 as a result of the Taj Merger, TCA in October 1996 as a result of the Castle Acquisition, and TCS in July 1996 following its formation. Additionally, since the 1995 renewals, Trump Holdings has become sole owner of THCR Enterprises, Inc. ("THCR Enterprises Inc"), and a 99% owner of THCR Enterprises, L.L.C. ("THCR Enterprises"), both of which were deemed to be discretionary qualifiers of TCS in conjunction with TCS's renewed casino license in 1997, based upon THCR Enterprises' purchase of THCR Stock, which will be

described in more detail below. Finally, although none is currently deemed a qualifier in conjunction with the pending applications, Trump Holdings also wholly owns THCR Ventures, Inc. ("THCR Ventures"), which has a 1% interest in various other affiliated entities ("Venture Affiliates"), has a 99% interest in each of the Venture Affiliates, and wholly owns Diversified Casino Holdings, L.L.C., which wholly owns Trump Kansas City, L.L.C., the entity recently formed to operate a riverboat casino in Kansas City, Missouri, after Trump Holdings completes the purchase of that casino.

Trump Funding, a funding vehicle for THCR, was incorporated in the State of Delaware on March 28, 1995, with authorization to issue 1,000 shares of common stock. All of the issued and outstanding 100 shares are owned by Trump Holdings.

Trump AC Holding was incorporated in the State of Delaware on February 10, 1993, as Trump Plaza Holding, Inc., with authorization to issue 200 shares of common stock. Its Certificate of Incorporation was amended on April 17, 1996, to reflect its new name. All of Trump AC Holding's issued and outstanding 100 shares of stock are owned by Trump Holdings.

Trump Indiana, incorporated on December 10, 1992, owns and operates the Indiana Riverboat Casino at Buffington Harbor on Lake Michigan, near Gary, Indiana, which opened to the public on June 11, 1996, and is currently THCR's only gaming operation outside New Jersey. Trump Indiana has no subsidiaries.

TACA is a New Jersey general partnership formed on February 17, 1993, as Trump Plaza Holding Associates. Its amended and restated partnership agreement, dated April 17, 1996, changed its name to its current form. At the time of the last renewal, which occurred shortly after the 95 Offerings, TACA was the sole owner of TACC and Trump

Atlantic City Funding, Inc. ("TAC Funding"), and 99% owner of TPA. Since then, TACA has acquired 99% ownership of both TTMA, following the Taj Merger in April 1996, and TCS, following its creation in July 1996, and sole ownership of Trump Atlantic City Funding II, Inc. ("TAC Funding II") and Trump Atlantic City Funding III, Inc. ("TAC Funding III").

TACC was incorporated in the State of Delaware on October 16, 1990, as Trump Taj Mahal Corporation, with authorization to issue 675,000 shares of common stock. Its Certificate of Incorporation was amended on April 17, 1996, to reflect its current name. All of the issued and outstanding 40 shares of stock are held by TACA. As described above, TACC has a 1% ownership interest in TPA, TTMA, TCS and Trump Communications.

TAC Funding, TAC Funding II and TAC Funding III were created solely as vehicles to provide TACA with funds. All three were incorporated in the State of Delaware, TAC Funding on January 13, 1996, and TAC Funding II and TAC Funding III on or about November 18, 1997. Each is authorized to issue 1,000 shares of common stock, and each currently has 100 shares issued and outstanding, all of which are owned by TACA. On March 4, 1996, TAC Funding's Certificate of Incorporation, which reflected its original name, THCR Atlantic City Funding, Inc., was amended to reflect its current name.

As part of the Castle Acquisition in October 1996, Trump Holdings acquired sole ownership of TCHC, which had been incorporated in the State of New Jersey on April 17, 1985, as Atlantic City Palace, Inc., with authorization to issue 2,500,000 shares of common stock. On May 21, 1985, it changed its name to its present form. Initially, TCHC had issued 1,000,000 shares to DJT, but in October 1996, in conjunction with the Castle Acquisition, Trump Holdings acquired all of the then issued and outstanding 100 shares.

THCR Enterprises, a single purpose entity formed as a limited liability company in the State of New Jersey on January 3, 1997, is comprised of Trump Holdings, which has a 99% interest, and THCR Enterprises Inc, which has a 1% interest. It was created specifically to purchase THCR Stock on the open market, which because of certain restrictions in its indentures, THCR was unable to do. First on January 6 and again on March 10, 1997, the THCR Board of Directors authorized the purchase of up to an additional 1,250,000 shares of THCR Stock, for a combined potential purchase of 2,500,000 shares. Ultimately, THCR Enterprises purchased and now owns 2,011,500 shares of THCR Stock.

THCR Enterprises Inc is also a single purpose entity formed on January 3, 1997, but it was incorporated in the State of Delaware. All of the authorized 1,000 shares of common stock were issued to Trump Holdings.

Following the 95 Offerings, which occurred just prior to the last renewal of the NJ Operating Casinos' licenses, Trump Holdings had one general partner, THCR, and three limited partners: (1) THCR/LP Corporation ("THCR/LP"); (2) Trump Casinos, Inc. ("Trump Casinos" or "TCI"), and (3) DJT. Its Amendment to the Second Amended and Restated Partnership Agreement, dated as of October 8, 1996, which occurred in conjunction with the Castle Acquisition, reflects the same general partner, THCR, with approximately 60% interest, and four limited partners: (1) THCR/LP, with approximately 3%; (2) Trump Casinos, with approximately 4%; (3) Trump Casinos II, with approximately 6%, and (4) DJT, with approximately 27%.

THCR/LP was incorporated in the State of New Jersey on March 1, 1991, as TM/GP Corporation, with authorization to issue 200 shares of common stock, all of which are

issued to and currently held by THCR Holding Corp. ("THCR Holding"). Its Amended and Restated Certificate of Incorporation, dated April 17, 1996, changed its name to its present form.

THCR Holding was incorporated in the State of Delaware on December 18, 1990, as Taj Mahal Holding Corp., with authorization to issue 1,000 shares of common stock. Its Amended and Restated Certificate of Incorporation, dated April 18, 1996, changed its name to its present form. All of the 100 issued and outstanding shares are currently held by THCR.

Trump Casinos was incorporated in the State of New Jersey on June 3, 1988, as Trump Taj Mahal, Inc., with authorization to issue 2,500 shares of common stock. On April 17, 1996, its name was changed to its present form. All of the 162 issued and outstanding shares are owned by DJT.

Trump Casinos II was incorporated in the State of Delaware on November 20, 1991, as TC/GP, Inc., with authorization to issue 20,000,000 shares of common stock. On October 7, 1996, it changed its name to its present form. All of the 100 issued and outstanding shares are owned by DJT.

THCR was incorporated in the State of Delaware on March 28, 1995, with authorization to issue 1,000 shares of common stock, 100 of which were issued to DJT. Its Amended and Restated Certificate of Incorporation, dated October 7, 1996, altered this structure by canceling all previously issued shares and authorizing the issuance of 76,001,000 shares of stock as follows: (1) 75,000,000 shares of THCR Stock with par value \$.01; (2) 1,000,000 shares of preferred stock with par value \$1.00 ("THCR Preferred Stock"); and (3) 1,000 shares of Class B common stock with par value \$.01 ("THCR Class

B Stock"). None of the THCR Preferred Stock has been issued. All of the 1,000 shares of THCR Class B Stock were issued and are outstanding. As of March 25, 1999, 24,206,756 shares of THCR Stock have been issued, but only 22,195,256 shares are voting shares.

In accordance with Delaware General Corporation Law, shares of common stock of a Delaware corporation that are purchased by a subsidiary of that corporation and held by that subsidiary are not to be counted in any shareholder vote or in determining a quorum with respect to any shareholder action. Generally Accepted Accounting Principles provide that in circumstances where shares of common stock are not counted in any shareholder vote or for a determination of a quorum for shareholder action, those shares are not included in the calculation of total shares outstanding by that Delaware corporation. Accordingly, the 2,011,500 shares of THCR Stock issued by THCR, a Delaware corporation, and as of May 3, 1999, held by THCR Enterprises, a wholly beneficially owned subsidiary of THCR, are not included in the calculation of outstanding shares.

THCR Stock is publicly traded, but shares of THCR Class B Stock are not. All shares of THCR Class B Stock were originally issued to DJT personally, but since then have been redistributed, although all issued shares are currently personally and beneficially owned by DJT. Following the Taj Merger in April 1996, 200 of DJT's shares of THCR Class B Stock were acquired by Trump Casinos. Following the Castle Acquisition in October 1996, DJT became the direct owner of 850 shares, Trump Casinos became the owner of 50 shares, and Trump Casinos II became the owner of 100 shares. DJT wholly owns both Trump Casinos and Trump Casinos II.

THCR Class B Stock has voting power equivalent to the voting power of the number of shares of THCR Stock into which its holder's limited partnership interest in Trump Holdings is convertible. DJT's beneficial ownership is currently convertible into 13,918,723 shares of THCR Stock. When these shares are combined with the 22,195,256 currently outstanding voting shares, 36,113,979 shares may be deemed to be outstanding.

The Entity Qualifiers chart identifies which of the 18 entities is required to qualify in conjunction with each Applicant's pending application. See Exhibit 2. Briefly stated, all 18 entities must qualify in conjunction with TCA's pending application, but only 16, all except TCHC and TCFI, must qualify in conjunction with TPA's, TTMA's and TCS's pending applications. In addition, several of these entities are also deemed to be financial sources, as will be discussed below.

B. INDIVIDUALS

In connection with the Applicants' pending applications for renewal of their casino licenses, there are a number of individuals who must qualify to the standards applicable to casino key employees. See *N.J.S.A. 5:12-85c* and *N.J.S.A. 5:12-85d*. These natural person qualifiers are officers and directors of the Applicants and various of their holding and intermediary companies. These qualifying individuals and their positions with each qualifying entity are set forth on the "Natural Person Qualifiers" chart. Exhibit 3. The Division, the Commission and the Applicants have reviewed the information contained therein and are in agreement therewith.

There are 72 individuals required to qualify in connection with the four pending applications. Exhibit 3. The Commission has previously considered the qualifications of all of these individuals except Daniel McFadden, Director of Finance at TCA, about whose

suitability the Division favorably reported by letter report dated May 25, 1999. As of the date of this report, the Division has not developed any negative information that would prevent the continued qualification of any of the other 71 qualifiers.²

C. FINANCIAL SOURCES

Various entities and individuals have been identified as financial sources of the Applicants, each of which must qualify in connection with their license renewal applications. N.J.S.A. 5:12-84b. These financial sources are identified on the "Financial Sources" chart. Exhibit 4. Each of these financial sources either was identified and qualified as a financial source for one or more Applicants at the time of the issuance of the Applicants' last renewed casino licenses or currently holds valid casino service industry licenses. Resolution No. 95-173-A at Findings ¶¶7-8; Resolution No. 95-173-B at Findings ¶¶3-4; Resolution No. 95-173-C at Findings ¶¶3-4; Resolution No. 98-15-6 at Findings ¶¶3-4. As of the date of this report, the Division has not developed information sufficient to cause an objection to a finding that these entities continue to be suitable as financial sources.

The Division submits that all of the debt securities issued by TACA, TAC Funding, TAC Funding II, TAC Funding III, TCFI, TCHC, Trump Funding and Trump Holdings, all of which will be discussed more fully below, are widely distributed and freely traded and that, with the exception of Putnam Funds, which has been previously qualified as a financial source, and, in the Division's view, continues to meet the qualification requirements, no

²Joseph Guzzardo, Director of Corporate Security at TCS and a qualifier of all four Applicants, is a named defendant in a lawsuit, *Mirage Resorts, Inc., et al. v. Trump Hotels and Casino Resorts, Inc., et al.*, which will be discussed in detail below. The Division will continue to monitor this matter and if the circumstances warrant, take further action.

holder thereof need be qualified as a financial source. *N.J.S.A. 5:12-84b*. Accordingly, the Division does not object to such a finding.

D. SECURITY HOLDERS

Each entity having a direct or indirect interest in each of the Applicants must qualify in connection with their pending applications for renewal of their casino licenses. *N.J.S.A. 5:12-84b*. This includes not only the publicly traded companies, but all privately held entities as well. However, because the holders of the privately held entities are also identified as intermediary or holding companies, each must meet the standards applicable to such entities. *N.J.S.A. 5:12-85d*.

THCR is the only publicly traded company, and Trump Funding, Trump Holdings, TACA, TAC Funding, TAC Funding II, TAC Funding III, TCFI and TCHC are companies that have issued publicly traded debt securities. Holders of these publicly traded securities must also either qualify or be waived from the qualification requirements. *N.J.S.A. 5:12-85d*.

DJT holds 850 shares of THCR Class B Stock, and through his direct ownership of Trump Casinos, which owns 50 shares of THCR Class B Stock, and Trump Casinos II, which owns 100 shares of THCR Class B Stock, he beneficially owns the remaining 150 outstanding shares. Additionally, he personally owns 250,000 shares, beneficially owns 250 shares, holds warrants providing him the right to purchase 1,200,000 shares and has been awarded currently exercisable stock options to purchase 166,667 shares of THCR Stock. Based upon this ownership, DJT is a security holder who must meet the qualification requirements. Based upon his positions with the Applicants as well as their various holding and intermediary companies, however, he is also required to qualify. As

has been discussed above, there is no negative information that would preclude his continued qualification.

According to a 10-K filed with the Securities and Exchange Commission ("SEC"), dated March 30, 1999, as of March 25, 1999, Nicholas L. Ribis owns 151,001 shares of THCR Stock and has been awarded currently exercisable options for 96,666 additional shares, which is 1.1% of the current number of shares outstanding. Owning this amount by itself would not presumptively require him to qualify, but because he also serves as a director, president and chief executive officer of THCR and functions as an officer and/or director of various holding and intermediary companies of each of the Applicants, he is required to meet the qualification requirements, and the Division does not concur in his waiver. As has been discussed above, however, there is no negative information that would preclude his continued qualification.

CEDE is nominee for the Depository Trust Company ("DTC"), a limited purpose trust company. DTC is a member of a federal reserve system, is wholly owned by its participants, which are financial organizations, and is a "clearing corporation" pursuant to Section 8-102(3) of the Uniform Commercial Code. In order to effectuate the transfer and pledge of the computerized book entries of securities deposited with it by its participants, all securities that are deposited are registered in the name of its nominee, CEDE. Such deposits, however, do not alter beneficial ownership. Thus, although CEDE is a record owner, the individual customers are the beneficial holders, and CEDE positions listings have, therefore, been provided for the equity and debt securities issued by the various entity qualifiers of the Applicants.

A CEDE position listing dated April 22, 1997, identifies five participants as holding 5% or more of the outstanding THCR Stock. As has been discussed above, however, THCR Stock provides its holders with only approximately 61.5% of the voting interest in THCR, because their ability to exercise any control over the corporation is diminished by the voting power resting in DJT by virtue of his direct and beneficial ownership of all of the THCR Class B Stock, which represent his partnership interest in Trump Holdings. DJT's partnership interest is currently convertible into 13,918,723 shares of THCR Stock, or approximately 38.5% of the amount of voting shares outstanding.³ Thus, although these five equity security holders own substantial amounts of the outstanding THCR Stock, their voting interests are diluted by the voting power resting in DJT. The Commission, therefore, has determined that for purposes of identifying security holders that are presumptively able to influence the publicly traded company because of ownership of 5% or more of the outstanding common stock, the number of outstanding shares of THCR Stock includes the number of shares into which DJT's partnership interest is convertible. As of May 3, 1999, that means that the aggregate outstanding amount of THCR Stock that presumptively provides an equity security holder with the ability to control THCR is 5% of 36,113,979 (22,195,256 plus 13,918,723) or 1,805,699 shares.

When the amounts held by the participants identified on the CEDE listings are diluted in this manner, only two participants hold 5% or more: Bear Sterns & Co., Inc. ("Bear Sterns"), 6.5%, and Bank of New York ("NY Bank"), 7.2%. Both, however, hold

³When the 2,011,500 shares of THCR Stock currently issued and held by THCR Enterprises are included, DJT owns approximately 37%. As discussed above, the shares held by THCR Enterprises are non-voting shares and, hence, not considered here.

these securities as custodians on behalf of various customers, who similar to the participants in the DTC, are beneficial owners; the Division, therefore, concurs in a waiver of each. By letter dated May 19, 1999, Bear Sterns indicated that no owner holds 5% or more. By facsimile dated May 18, 1999, NY Bank identified Bankers Life & Casualty Company ("Bankers Life") as an owner of 5% or more who must qualify. It appears, however, that Bankers Life may be either holding these securities as custodian or an institutional investor that may be waived from the qualification requirements and, therefore, has been requested to file an appropriate certification. Provided such a certification is received and Bankers Life meets the waiver requirements, the Division would concur in such a waiver for Bankers Life.⁴ N.J.S.A. 5:12-85d.

Similarly, when the amounts held by those entities who filed Schedules 13G with the SEC are also diluted in this manner, two entities currently own 5% or more of the outstanding THCR Stock: (1) Oppenheimer Group, Inc. ("Oppenheimer"), 6.8%, and (2) Consec, Inc. ("Consec"), 5.6%. Each has, therefore, been requested to submit a certification to this effect and identify any beneficial owners of 5% or more of THCR Stock. Provided such letters are received and indicate that each, indeed, holds such stock as custodian, the Division would concur in a waiver from the qualification requirement for each.⁵ N.J.S.A. 5:12-85d.

⁴If any client is identified as holding 5% or more, it, too, must either qualify or be individually waived. The Division will report to the Commission if any additional security holders are so identified.

⁵If any client is identified as holding 5% or more, it, too, must either qualify or be individually waived. The Division will report to the Commission if any additional security holders are so identified.

On June 12, 1995, as one of the transactions of the 95 Offerings, Trump Funding and Trump Holdings, as co-obligors, issued \$155 million aggregate principal amount of 15.5% Senior Secured Notes due 2005 ("Senior Notes"). The Senior Notes are secured by substantially all of the assets of Trump Holdings. During 1996, Trump Holdings redeemed \$10 million principal amount of the Senior Notes.

On April 17, 1996, as part of the Taj Merger, TACA and TAC Funding, as co-obligors, issued \$1.2 billion aggregate principal amount of 11.25% first mortgage notes due May 1, 2006 ("Mortgage Notes"). TACA, TTMA, TPA and all future subsidiaries of TACA, with the exception of TAC Funding, fully and unconditionally guaranteed this obligation, and the Mortgage Notes are jointly and severally secured by mortgages representing a first lien and security interest on substantially all of the assets of TTMA and TPA.

On December 10, 1997, TACA and TAC Funding II, as co-obligors, issued an additional \$75 million aggregate principal amount of 11.25% first mortgage notes due May 1, 2006 ("Capital Expenditure Notes"). On that same day, TACA and TAC Funding III issued \$25 million aggregate principal amount of 11.25% first mortgage notes due May 1, 2006 ("Working Capital Notes"). The terms, conditions, guarantees and security interests of the Capital Expenditure Notes and the Working Capital Notes are identical to those of the Mortgage Notes. Therefore, the Commission has determined that for purposes of determining qualifiers, the three issues are combined and deemed to be one issue with an aggregate principal face amount of \$1.3 billion (collectively "TACA Notes").

On December 31, 1993, TCFI issued \$242.1 million aggregate principal amount of 11.75% mortgage notes due November 15, 2003 ("Castle Mortgage Notes"), and \$50.5 million in face amount of 13.875% Increasing Rate Subordinated Pay-in-Kind Notes

("PIK Notes") due 2005. The Castle Mortgage Notes are subordinate to the liens securing the Senior Notes and secured by a mortgage on TCA and substantially all of the other assets of TCA. The PIK Notes bear interest, payable at TCFI's option, in whole or in part in cash and through the issuance of additional PIK Notes through November 15, 2003. After November 15, 2003, interest is payable in cash at the same interest rate. The PIK Notes are expressly subordinated to the Senior Notes.

Since 1993, TCFI has issued additional PIK Notes as interest became due. On May 21, 1997, Trump Holdings acquired 90% of the PIK Notes then outstanding, resulting in Trump Holdings receiving an aggregate of approximately \$59.3 million principal amount of PIK Notes. As of December 1998, \$92.5 million of the PIK Notes are outstanding. Trump Holdings investment in the PIK Notes has been pledged as collateral to the Senior Notes.

On April 17, 1998, TCFI issued \$62 million aggregate principal amount of Series A Senior Secured Notes due 2003 ("Castle Senior Notes") and TCHC issued an additional \$5 million principal amount of Series A Senior Secured Notes ("Castle Working Capital Notes"), both with a 10.25% interest rate and a maturity date of April 30, 2003. The Castle Senior Notes have a priority mortgage lien ahead of the Castle Mortgage Notes and the PIK Notes, are guaranteed by TCA and are secured by virtually all of TCA's assets.

CEDE currently holds 99.9% of the Senior Notes, 99.4% of the TACA Notes, 98.4% of the Castle Mortgage Notes, 10% of the PIK Notes, 100% of the Castle Senior Notes and 100% of the Castle Working Capital Notes. CEDE position listings for these debt securities, dated March 1, 1999, for all except the Castle Mortgage Notes, which is dated December 21, 1998, identify the following participants as holding 15% or more of those

securities: (1) Bankers Trust, 21.8% of the Senior Notes; (2) State Street, 16.7% of the Senior Notes and 15.3% of the TACA Notes; (3) U.S. Bank, N.A. ("US Bank"), 19.3% of the Senior Notes; (4) Chase Bank, 16.8% of the TACA Notes, and (5) Bear Sterns, 30.4% of the Castle Mortgage Notes. Bankers Trust and Bear Sterns, by letters dated May 19, 1999, indicated that they hold these debt securities as custodians, and that no single beneficial owner holds 15% or more. Accordingly, the Division concurs in a waiver of all qualification requirements for both Bankers Trust and Bear Sterns. The remaining three security holders also appear to hold these debt securities as custodians, and each has, therefore, been requested to indicate whether this is accurate and, if so, whether any one beneficial owner holds 15% or more. Provided such representation letters are received and no single beneficial owner holds this amount, the Division would concur in a waiver from the qualification requirement for all of these custodial debt security holders.⁶ N.J.S.A. 5:12-85d.

When the Castle Senior Notes were issued, they were privately placed with Putnam Investment Management, Inc. ("Putnam"). Putnam, therefore, is a security holder that must qualify. Previously, the Commission determined that Putnam, which held all of the Senior Notes TCA had issued in 1993, met the suitability requirements and qualified it as a financial source. Resolution No. 93-24-30 at Findings ¶¶32. The Division has not developed any negative information that would prevent its continued qualification.

⁶If any client is identified as holding 15% or more, it, too, must either qualify or be individually waived. The Division will report to the Commission if any additional security holders are so identified.

In sum, each of the entities described above is a holding or intermediary company or a financial source of one or more of the Applicants. Their relationships are set forth in the Organizational Structure chart of THCR. Exhibit 1. The entity qualifiers of each of the Applicants are set forth in the Entity Qualifier chart. Exhibit 2. The financial sources of each of the Applicants are set forth on the Financial Sources chart. Exhibit 4. It appears that no other holder of debt or equity securities issued by any of these entities, with the exceptions of DJT and Ribis, who are natural person qualifiers as well as security holders, and Putnam, needs to meet the qualification requirements in connection with Applicants' pending requests for renewals of their casino licenses. *N.J.S.A. 5:12-85c and 85d.* Accordingly, the Division does not object to waivers from qualification for all other equity and debt security holders.

III. SIGNIFICANT EVENTS

A. LITIGATION

1. Recent Litigation

a. *Mirage Resorts, Inc., et al. v. Trump Hotels & Casino Resorts, Inc., et al.*

On April 20, 1999, Mirage Resorts, Inc. ("Mirage"), filed a 17 count civil action in the Clark County, Nevada, District Court naming THCR, as well as two of Mirage's former marketing executives (Laura Choi and Paul Liu), a private investigative firm and its two operatives (William Kish and Curt Rodriguez), and qualifying officer, Joseph Guzzardo, TCS Director of Corporate Security, and other as yet unknown and unnamed parties as defendants. The gravamen of the action appears to be that THCR, through its employees and agents, intentionally interfered with the contractual relations existing between Mirage and certain of its Mirage marketing employees to misappropriate Mirage's trade secrets regarding Mirage patrons and to divert such select high-roller players and their patronage from Mirage to Trump Taj Mahal Casino Resort thus intentionally interfering with Mirage's prospective economic advantage. Mirage seeks monetary damages, punitive (exemplary) damages, interest and injunctive relief seeking the return of information as well as a prohibition against its use or disclosure by any of the defendants. On May 14, 1999, THCR filed a Notice of Removal to the United States District Court, District of Nevada. On May 17, 1999, THCR filed its Answer generally and specifically denying the allegations along with a Request for Jury Trial. Laura Choi has filed an Answer, Demand for Jury Trial and Counterclaim on May 20, 1999.

It is, given its recent filing, too soon for the Division to have formed any opinion as to the merits of any issues raised by the allegations in this bare complaint. The Division will, of course, continue to monitor this case and, if the circumstances warrant, take further action with regard to it or the other litigation described below so as to assure that the standards required by the Act are being maintained by the various qualified or licensed companies and individuals who may be involved or impacted by the events implicated in these matters.

b. *Aggarwal et al. v. Trump et al.*

On March 26, 1996, eight Indiana residents filed a complaint in the United States District Court, Southern District of Indiana, against DJT, THCR, Trump Holdings and Trump Indiana, Inc. ("Trump Indiana"), the Gary, Indiana, riverboat casino operation, alleging breach of contract. Subsequently, the Trump Organization, Inc., was also named as a defendant. The plaintiffs asserted a right to purchase stock in Trump Indiana equal to 7.5% of Trump Indiana's value and that Trump Indiana was required to contribute an additional 7.5% of its shares to the creation and funding of a charitable foundation for the benefit of residents of the Gary, Indiana, region. They also sought compensatory and punitive damages.

The claims allegedly arose from discussions held in 1994 when the plaintiffs were approached by legal representatives of THCR with an offer to become local investors, shareholders in the riverboat project, and trustees of a proposed charitable trust to be funded with stock in the riverboat project. Several letters appear to memorialize the offer and although the plaintiffs claimed that they accepted, no formal documents were signed

by them. They did, however, attend, allegedly at defendants' request, several hearings before the Indiana Gaming Commission, in August and September 1994, where the defendants' representatives held them out as prospective 7.5% owners of Trump Indiana and trustees of a charitable foundation to be funded with 7.5% of Trump Indiana's stock.

Ultimately, monetary settlements were reached between all of the defendants and six of the plaintiffs. In February 1999, the two remaining plaintiffs voluntarily dismissed all claims against the Trump Organization, Inc., and the Court entered summary judgment against the plaintiffs in favor of THCR and Trump Holdings on all claims in the litigation. Upon trial by jury concluded on March 3, 1999, consequential damages of approximately \$1.3 million were found against Trump Indiana for breach of contract. The jury further decided that Trump Indiana had breached a contract to create and fund a charitable foundation. No damages were found against DJT personally and no punitive damages were awarded against either DJT or Trump Indiana. The Court, sitting in equity, will determine whether, and to what extent, Trump Indiana will be required to provide additional funding for the charitable foundation. In this regard, it should be observed that Trump Indiana did fund a charitable foundation for the benefit of the regional residents pursuant to its commitment to the Indiana Gaming Commission and in accordance with the development agreement entered between Trump Indiana and the City of Gary, Indiana. That agreement, entered on May 1, 1996, included provisions for the establishment of the "Trump Indiana Foundation," a private foundation for charitable purposes. On December 31, 1996, Trump Indiana provided \$1 million in initial funding and is required to make annual contributions of \$100,000 for the four-year life of the agreement. Indeed,

such subsequent payments were made on December 31, 1997, and 1998. The Court heard arguments concerning the foundation funding on March 23, 1999, and its decision is pending.

c. Stockholder Derivative Suits Related to the Trump Castle Associates, L.P., Acquisition

Two derivative actions were filed by stockholders of THCR on August 14, 1996, in the Chancery Court of Delaware for New Castle County against each of the members of the Board of Directors of THCR and THCR, Trump Holdings, TCA and TCI-II claiming a breach of fiduciary duties by those directors in the acquisition of TCA (t/a Trump Marina Hotel Casino) on October 7, 1996, by purchasing it for an excessive and self-dealing price. In addition to damages and an accounting an injunction was requested in the original complaint, but an injunction was not pursued.

On October 16, 1996, a THCR stockholder similarly filed a derivative action in the United States District Court, Southern District of New York, against each member of the Board of Directors of THCR as well as THCR, THCR Holdings, TCA, TCI, TCI-II, TCHC and Salomon Brothers (which issued the fairness opinion regarding the acquisition of TCA), again charging a breach of fiduciary duties in connection with the TCA acquisition, commission of certain *ultra vires* acts, violations of federal securities laws regarding alleged misrepresentations and omissions in the relevant proxy statements and that DJT, TCI-II and TCHC breached the acquisition agreement by supplying untrue information for inclusion in the proxy statements. The suit seeks removal of the directors of THCR, an injunction, rescission and damages.

The Delaware state court cases have been amended, refiled and consolidated with the federal action for all purposes including pretrial proceedings and trial. On January 17, 1997, a Consolidated Amended Derivative Complaint was thus filed. A second amended complaint was put forth seeking to add additional claims regarding a previously contemplated transaction with Colony Capital, Inc. When, however, the contemplated transaction did not proceed and negotiations with Colony Capital, Inc., ended, a third consolidated complaint was put forward on June 26, 1997, which deleted the claims regarding Colony Capital, Inc. On August 5, 1997, the defendants moved for dismissal. By response of October 24, 1997, the plaintiffs opposed the motion to dismiss. Defendants served their reply on December 9, 1997. The parties are presently awaiting the Court's ruling.

2. Updates On Previously Reported Litigation

In the course of reporting on the prior license renewals of TCS, the Division has provided running accounts of the various pieces of litigation surrounding development and funding of the H-Tract in Atlantic City and the related construction of the Westside Connector tunnel project. Those accounts are updated below.

a. *Trump Hotels & Casino Resorts, Inc. v. Mirage Resorts, Inc., et al.*

THCR began this suit on March 13, 1997, in the United States District Court, District of New Jersey ("District Court"), against Mirage, the State of New Jersey, the Department of Transportation, the South Jersey Transportation Authority ("SJTA") and others seeking declaratory and injunctive relief in an attempt to bar the construction of the Westside Connector tunnel project and the development of the H-Tract. The District Court dismissed

the federal claims with prejudice but determined that the state law claims, which included asserted violations of the casino clause of the New Jersey Constitution, should be heard by the Superior Court of New Jersey, Law Division, where a lawsuit dealing with similar claims was then pending (see case discussion below). Accordingly, the state law claims were dismissed by the District Court without prejudice.

On May 5, 1997, THCR appealed the District Court ruling to the United States Court of Appeals for the Third Circuit. On April 2, 1998, that appellate tribunal affirmed the dismissal and denied THCR's petition for a rehearing. No further federal review was sought by THCR.

b. State of New Jersey et al. v. Trump Hotels & Casino Resorts, Inc.

On April 10, 1997, the State of New Jersey and the Casino Redevelopment Authority ("CRDA") brought this action in the Law Division, Superior Court of New Jersey, seeking a declaratory ruling approving the funding mechanism for the tunnel project, which had been challenged in the above-described federal suit. On May 14, 1997, the Law Division ruled that the State was free to spend the tax revenue collected under various legislation at its discretion and denied THCR's assertion of unconstitutionality.

THCR appealed and also sought direct certification by the New Jersey Supreme Court. The latter request was denied on June 30, 1997. On March 24, 1998, the Appellate Division of the New Jersey Superior Court affirmed the lower court's decision in favor of the State and CRDA. On May 21, 1998, THCR filed an appeal with the New Jersey Supreme Court, which heard oral argument on the matter on January 21, 1999. Its decision is pending.

c. *Mirage Resorts, Inc. v. Donald Trump, Trump Hotels & Casino Resorts, Inc., and Hilton Hotels Corporation*

On September 7, 1997, Mirage filed a complaint against DJT, THCR and Hilton Hotels Corporation in the United States District Court for the Southern District of New York seeking damages for intentional interference with Mirage's prospective economic advantage, tortious inducement of a breach of fiduciary duties, antitrust law violations and injunctive relief. Mirage alleged a conspiracy of the defendants to impede its efforts at developing the Atlantic City H-Tract. A motion by defendants to dismiss the complaint was denied by the Court's Order of December 22, 1998. Accordingly, on February 2, 1999, the Trump defendants filed their answer to the complaint. To date, the case has not been calendared.

d. *Trump Hotels & Casino Resorts, Inc. v. Casino Reinvestment Development Authority*

In June 1997, THCR filed a complaint in lieu of an action for prerogative writs in the Law Division, New Jersey Superior Court, against the CRDA seeking a review of the CRDA's approval of \$120 million in funding for the tunnel and related highway construction charging that it was arbitrary, capricious, unreasonable and contrary to the law and the public interest. The action sought an injunction prohibiting the CRDA from contributing funding to the project. On October 6, 1997, in response to the CRDA motion, the Law Division transferred the action to the Appellate Division for resolution. The matter was heard on January 12, 1999, and the decision is pending.

*Trump Hotels & Casino Resorts, Inc. v. New Jersey
Department of Transportation, Inc., et al.*

On June 26, 1997, THCR filed an action against NJDOT, SJTA, Mirage and others in the Chancery Division, Superior Court of New Jersey, seeking an injunction of the public funding of the tunnel project and the related road development agreement between NJDOT, Mirage and others dated January 10, 1997. On October 24, 1997, the Court granted summary judgment in favor of all the defendants. On December 10, 1997, THCR appealed this decision to the Appellate Division, where the matter is presently pending. It has been consolidated with another appellate action, *Daniel Gallagher, et al. v. CRDA, et al.*, brought on behalf of several Middlesex County, New Jersey, municipalities which also challenged the legality of the actions taken by NJDOT and SJTA in entering the road development agreement with Mirage, in agreeing to fund the project pursuant to the program management agreement and authorizing the award of certain related road construction contracts. The complaint of the municipalities was dismissed below on October 22, 1997. On December 3, 1997, a Notice of Appeal was filed and the case was argued on February 23, 1999. The Appellate Division's decision in these matters is pending.

B. COMPLIANCE MATTERS

1. Federal Currency Transaction Report Violations Settlement

The United States Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"), acting on information provided by compliance examinations conducted by the Internal Revenue Service, informed Taj Mahal by letter of February 23,

1996, of its preliminary evaluation that Taj Mahal had failed to timely file Currency Transaction Report by Casino ("CTRC") forms on 173 transactions reportable under the Bank Secrecy Act, 31 U.S.C. 5311, *et seq.*, which occurred between April 2, 1990, and December 31, 1991.

Ultimately, on January 22, 1998, the Taj Mahal entered into a settlement agreement with FinCEN to pay a \$477,000 civil monetary penalty based on the occurrence of 106 separate violations. FinCEN has confirmed that the failure to file the CTRCs resulted from problems caused by computer programming and system errors as well as by the failure of casino personnel to fully follow established procedures. FinCEN has also indicated that the casino appears to have made significant improvements in its system for CTRC filing. By way of perspective it should also be observed that each of the New Jersey casinos has been found to have violated the CTRC requirements and had civil penalties imposed. The range of fines imposed by these settlements, which generally vary in proportion to the number and seriousness of the violations, is from a low of \$9,000 for two violations (at a non-Trump casino) to a previous high of \$414,000 (also at a non-Trump casino) imposed for 92 violations. Indeed, Plaza had settled a similar matter in 1992 for \$292,500 based on 65 violations and, likewise, Castle settled in 1992 for a civil penalty of \$175,500 for 39 CTRC filing violations.

2. New Jersey Regulatory Complaint Matters

The Division's Regulatory Enforcement Bureau conducts regular audits of casino operations and investigates potential violations of the Casino Control Act and the regulations promulgated pursuant thereto. The results are forwarded to the Division's

Regulatory Prosecutions Bureau ("RPB") for legal analysis. If regulatory action is warranted the matter may proceed in a "warning letter" format in which the regulatory violation is called to the attention of the licensee and corrective action is taken. Alternatively, in instances where the violation is deemed more serious or repetitive, a violation complaint will be filed. During the past licensing period each of the Trump NJ Operating Casinos received warning letters in a variety of areas. Summarized below by casino and in docket number order are the 19 violation complaints which were either resolved or initiated by the RPB during the four year licensure periods of the three operating casinos:

a. Trump Castle Associates, L.P. (i.e. Marina)

I. *State v. Marina*: Docket No. 95-0627-VC

The licensee employed an individual in a position requiring a registration. However, the individual's registration was earlier revoked by the Commission and he was on the restricted employment list at the time of his hiring. A settlement was reached and a monetary fine of \$5,000 was imposed.

II. *State v. Marina*: Docket No. 96-0019-VC

This matter was one of several complaints brought against licensees, here including Marina, for violations of the regulations pertaining to bill changer meter readings, *N.J.A.C.* 19:45-1.42. Licensees are required to read bill changer meters concurrent with the pickup of slot cash storage boxes. The meter reading is to be compared to the count of the currency in the box and "variances" are to be investigated and reported to the Division and Commission. Marina failed to read all the meters, failed to investigate the variances, and

failed to timely file variance reports. The case was resolved with a monetary penalty of \$26,700.

III. *State v. Marina*: Docket No. 97-0769-VC

This case centered on a violation of *N.J.A.C. 19:45- 1.29(j)*. Marina wrote-off a patron's outstanding debt but failed to include in a patron's credit file the requisite documentation of the collection department's efforts to collect the obligation. The file documentation failed to include the reasons why any collection attempts were unsuccessful or a letter from an attorney documenting the collection efforts. By failing to create documentation, by failing to prove that it engaged in reasonable collection efforts, and, by failing to explain why the efforts were unsuccessful, Marina improperly wrote-off the outstanding patron debt as uncollectible. A stipulation of settlement was filed on November 20, 1997. The settlement, which was accepted by the Commission at the public meeting of September 9, 1998, resulted in a \$17,500 penalty to the casino licensee.

IV. *State v. Marina*: Docket No. 99-0121-VC

This matter concerns the manner in which Marina accounts for its slot machines. Division investigation revealed that when slot machines are disposed of, they are not removed from the general ledger but instead are presumed to have no book value. In addition, there is no reconciliation between ledger entries and a physical inventory of gaming machines. The Division has alleged that this manner of maintaining Marina's ledger violates *N.J.A.C. 19:45-1.3(a)(2)(ii)* and (iv). This matter is pending.

V. *State v. Marina, Thomas Bock, Rhonda Wilson, Denise Sweeney, and Ann Wyner.* Docket No. 99-0276-VC

On September 20, 1998, Bock, a race book writer/supervisor, allowed a patron to place several bets over several hours without receiving any form of payment in exchange for the wager at the time the wagers were placed ("call bets"). On balance the patron lost \$5,500. The patron was unable to satisfy the call bets at the close of the racing day. To balance his account Bock took the deficiency from the simulcasting impressment. On September 29, 1998, the balance was finally paid in full by the patron. From the time the bets were placed by the patron up until the time full payment was received from the patron, accounting paperwork was either not prepared, inaccurately prepared or not reconciled by accounting. Also included in the complaint is a count charging that throughout Rhonda Wilson's tenure as race book manager, she personally accepted, and knowingly permitted the other race book employees she managed to accept call bets from a second patron on an unknown number of times. Wyner and Sweeney are accounting employees responsible for reviewing race book paperwork.

The casino and the named individuals are charged with violating *N.J.S.A. 5:12-101(a)(1)* and *N.J.A.C. 19:45-1.25(a)(1)* by making a loan, or otherwise providing or allowing any person any credit or advance to enable that person to take part in gaming or simulcast activity as a player. The matter remains pending.

VI. *State v. Marina:* Docket No. 99-0307-VC

This recently filed complaint alleges that, through its employees, Marina made a request, on October 18, 1995, to a casino service industry licensee, a limousine service, that the limousine to be supplied to a patron not be driven by a black driver. A stipulation

of settlement of this charged violation of the equal employment opportunity requirements of the Act was filed simultaneously with the complaint with a specified penalty of \$50,000 subject to Commission approval.

b. Trump Plaza Associates (i.e. Plaza)

I. *State v. Plaza*: Docket No. 94-0409-VC

The complaint alleged that Plaza had improperly purchased complimentary for a patron, improperly reimbursed travel expenses, and failed to properly and fully report these expenditures. This complaint, and others like it against other licensees, addressed an industry wide non-compliance problem. This matter was resolved by a stipulation of settlement and the imposition of a monetary penalty of \$270,000 against the licensee.

II. *State v. Plaza*: Docket No. 97-0892-VC

Plaza contracted through a third party to purchase land from an enterprise controlled in part by Joseph Zoll. Through separate enterprises Zoll also owned other properties. At the time of closing Zoll, having learned that Plaza was the true purchaser, required Plaza to purchase another parcel of land which was owned by WOZO, another Zoll controlled enterprise. Plaza purchased multiple real estate parcels in the package of transactions. However, at the time of the purchase, WOZO was the subject of a prohibitory order of the Commission. By way of a stipulation of settlement Plaza acknowledged liability and agreed to a monetary penalty of \$34,000.

III. *State v. Plaza*: Docket No. 97-1913-VC

This complaint alleged that Plaza permitted three individuals, two nineteen year-olds and one seventeen year-old, to gamble at slots on December 29, 1996. The matter was resolved through a stipulation of settlement and a civil penalty of \$30,000 was imposed.

c. Trump Taj Mahal Associates (i.e. Taj Mahal)

I. *State v. Taj Mahal*: Docket No. 95-0339-VC

The licensee employed an unlicensed/unregistered individual in a position requiring a registration in violation of *N.J.S.A. 5:12-106(a)*. A settlement was reached and a monetary fine of \$5,000 was imposed.

II. *State v. Taj Mahal*: Docket No. 95-0443-VC

The licensee, as part of a capital improvement project, contracted for certain construction work. The general contractor utilized a subcontractor. The licensee failed to timely file a vendor registration form for the subcontractor in violation of *N.J.A.C. 19:43-10.4*. A settlement was reached and a civil penalty of \$4,000 was imposed.

III. *State v. Taj Mahal*: Docket No. 96-0136-VC

The complaint alleged that Taj Mahal permitted an eighteen year-old male to gamble at blackjack on 33 occasions from June 18, 1994, through March 7, 1995, and to be rated during his play. Complementaries were issued on seven (7) occasions. The Division advised Taj Mahal that the patron was under age, however, Taj Mahal inadvertently allowed the person to gamble on eight (8) more occasions between March 7, 1995, and May 15, 1995. The matter was settled based on a \$60,000 civil penalty.

IV. *State v. Taj Mahal*: Docket No. 97-0275-VC

The complaint alleged a violation of the regulation related to match play coupons. Although match play coupons were allowed, Taj Mahal accepted coupons which were not match play coupons (i.e. food and gift coupons) and accepted match play coupons which had expired. The matter was settled with the imposition of a monetary penalty of \$17,500.

V. *State v. Taj Mahal*: Docket No. 97-0434-VC

The complaint alleged that Taj Mahal permitted a seventeen year-old male to gamble at slots on September 26, 1996. The matter was resolved through a stipulation of settlement and a civil penalty of \$6,000 was imposed.

VI. & VII. *State v. Taj Mahal*: Docket Nos. 98-0482-VC (7/24/98) and 98-0666-VC (9/25/98)

The regulations related to Baccarat require a licensee to collect vigorish at the time the payoff of a certain winning wager is made or, at the election of the house, the vigorish collection may be deferred until the cards are reshuffled. The complaints alleged that Taj Mahal failed to timely collect approximately \$540,000 of vigorish from a series of high rollers and, in fact, that the patrons left the casino premises owing the vigorish. The licensee stipulated to the violation and, on April 29, 1999, litigated the issue of penalty. The matter awaits submission of a written closing and the issuance of an initial decision.

VIII. *State v. Taj Mahal*: Docket No. 98-0613-VC

This matter concerned two chip fills of \$500,000, each of which were \$200,000 short resulting in a total shortage of \$400,000. The fills had been requested because a high roller demanded to be paid in gray (\$5,000) chips and the table had run out of chips of that denomination. Taj Mahal's procedures required that the inaccurate chip fills be returned to the cage and redone. In this instance, the table accepted the short fills after having the shortage filmed by surveillance. At a later time the cage sent the remaining \$400,000 to the table without paperwork. The delivery of \$400,000 in chips to the table without paperwork violated *N.J.A.C. 19:45-1.22* (a), (f), and (m). A stipulation of settlement imposing a \$20,000 civil penalty has been agreed upon and is pending Commission action.

IX. *State v. Taj Mahal and Frank Fitzpatrick*: Docket No. 98-0693-VC

From September 9 through September 28, 1997, Taj Mahal failed to inspect the required number of playing cards sent to security and failed to destroy the cards which were inspected within the required destruction time period. Also, the required paperwork, prepared and signed by Fitzpatrick, the Executive Director of Security, did not accurately represent the number of destroyed decks of cards. That same paperwork also was not reviewed by Fitzpatrick to the extent that he should have noticed that the required number of cards were not being inspected. The casino and Fitzpatrick were charged with violating N.J.A.C. 19:46-1.18(n) and (p). After pre-hearing conferences, it is expected that the matter will settle with a penalty of \$20,000 against the casino and a letter of reprimand issued to Fitzpatrick. The stipulation of settlement has been prepared and is acceptable to all the parties, but is pending signature by one of the parties.

X. *State v. Taj Mahal*: Docket No. 99-0234-V

The complaint alleged that on September 19, 1996, Taj Mahal renegotiated in New York City a cash complimentary that had been received by a premium patron and applied to redeem his outstanding markers at the cashiers' cage earlier that day. As a result of the reduced cash complimentary, a marketing executive collected in New York City a check in the amount of \$25,000 that he delivered to Taj Mahal the next day on September 20, 1996. Further, Taj Mahal violated its internal controls and failed to segregate incompatible functions with respect to the duties assigned to the marketing executive. Finally, the complaint alleged that Taj Mahal failed to prepare and maintain complete and accurate records of the transactions by causing cage documents to be either altered, voided, or created with respect to the original issuance of the cash complimentary and the reissuance

of that cash complimentary. A stipulation of settlement has been executed and filed requiring Taj Mahal to pay a civil penalty in the amount of \$60,000. Currently, this matter is pending before the Commission.

3. Indiana Regulatory Complaint Matters

Upon contacting the Indiana Gaming Commission, which regulates the Trump Indiana riverboat casino, the Division discerned that since 1996 three regulatory violation complaints had been instituted against Trump Indiana. The first complaint (1996) charged the failure to properly maintain a soft count log and to properly restrict access and secure the hard count room. This complaint resulted in an \$8,000 penalty. The second complaint (1997) resulted in a \$5,000 penalty for cancellation of an excursion due to lack of sufficient surveillance staffing. The third violation (1998) was based on a charge of inadequate internal controls based on an employee theft of \$56,000. For this violation Trump Indiana, pursuant to a settlement agreement, paid a \$24,000 penalty.

It should be observed that none of the foregoing violations of local gaming laws involved or called into question the continuing suitability for licensure or qualification of any of the New Jersey casino licensees or their qualifying entities or individuals.

IV. FINANCIAL ANALYSIS

A. OVERVIEW

To review the financial viability of the qualifying intermediary holding companies (such as TACA and Trump Holdings), their financial vehicles (entities such as Trump Funding) and the ultimate publicly-traded parent company (THCR) of the four New Jersey casino licensees it must first be observed that these qualifying entities do not generate revenues themselves. They are, of course, dependant upon the ability of the three NJ Operating Casinos, the Indiana operating casino and the prospective operations of a Kansas City, Missouri, riverboat casino to generate the funds necessary to meet their financial needs and obligations.

Accordingly, we shall begin our overall review with an examination of the financial fitness of the NJ Operating Casinos throughout the projected two-year period of the forecasts submitted by management. Our review shall progress up through the several chains of ownership from the casino licensees through the various intermediary companies and their financial vehicles to the ultimate parent in assessing the ability of the operating companies to meet those needs given their anticipated performance. We start with TCA, which owns and operates the Trump Marina Hotel Casino, and which reaches the ultimate parent through Trump Holdings directly. We next review the two other NJ Operating Casino companies, TPA and TTMA, which pass through TACA and then Trump Holdings in a separate ownership chain to the parent, THCR. This is followed by a review of TACA and the remaining New Jersey casino licensee, TCS. We complete the chains with a review of THCR and the consolidated debt structure of this complex organization, before

reaching our conclusions as to the continuing financial qualifications of the licensees and their qualifying entities:

It should be observed, as has been the past practice, that we have accepted forecast projections for only the first two years of the four year license period. In our judgement, forecasts beyond the two-year period would not be reliable and should not be used as a basis for forming an opinion on the financial stability of the licensees. Therefore, we believe it would be inappropriate for us to express an opinion on financial stability for the license years beyond those forecasts. As an alternative, management was requested to advise the Division of its plans for any significant financial and investing activities for years 2002 and 2003. In response, management has stated that there are no plans for refinancing or early redemption of the THCR or TACA debt at this time, nor do they anticipate any other significant activity, including any major capital expenditures at the NJ Operating Casinos for the years 2002 and 2003. Management does anticipate refinancing certain debt of Castle which is due to mature in 2003, but the details of such refinancing cannot be predicted at this time. The Applicants and the Commission should be aware, however, that the Division intends to review financial results and forecasts for the New Jersey licensees mid-way through the four-year license term. Hence, the Division will request that a condition be imposed requiring the Applicants and THCR to provide to the Commission and Division, at least 90 days but no more than 120 days prior to the second anniversary of the effective date for each of the New Jersey licensees' renewed casino license, financial forecasts for the remainder of the license term.

B. INDIVIDUAL CASINOS

1. Trump's Castle Associates, L.P.

a. Actual and Forecasted Operations

Table 1 below presents Castle's actual and forecasted gross operating profit ("GOP") and gross operating profit margins ("GOP Margin") for the five years ending December 31, 2001. GOP is the standard that has been used to measure profitability in the Atlantic City casino industry. It reflects revenues less direct operating expenses.

Table 1
 Trump's Castle Associates, L.P.
 Net Revenue, GOP and GOP Margin
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Net Revenue	\$284.7	\$283.9	[REDACTED]	[REDACTED]	[REDACTED]
Costs and Expenses	<u>(240.1)</u>	<u>(232.8)</u>	[REDACTED]	[REDACTED]	[REDACTED]
GOP	<u>\$44.6</u>	<u>\$51.1</u>	[REDACTED]	[REDACTED]	[REDACTED]
GOP Margin	15.7%	18.0%	[REDACTED]	[REDACTED]	[REDACTED]

Castle's net revenue in 1998 decreased less than \$1 million while costs decreased by \$7.3 million. Net revenue forecasts for 1999, 2000 and 2001 reflect annual [increases of [REDACTED] respectively, while costs and expenses are forecasted to [increase by [REDACTED] in 1999 and [REDACTED] in 2000 and 2001. Castle's GOP increased \$6.5 million in 1998 and is forecasted to [increase by [REDACTED] in 1999 [REDACTED] in 2000 and [REDACTED] in 2001.

b. Actual and Forecasted Cash Flows

Table 2 below shows Castle's actual and forecasted cash flows for the five years ending December 31, 2001:

Table 2
 Trump's Castle Associates, L.P.
 Cash Flow Summary
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Cash from Operating Activities					
Net Income (Loss)	(\$27.9)	(\$23.5)			
Depreciation and Amortization	20.3	20.4			
Net Increase in Other Current Liabilities, Excluding Debt	17.3	(1.2)			
Issuance of PIK Notes in Exchange for Accrued Interest	10.1	11.6			
Other	<u>(5.8)</u>	<u>2.8</u>			
Net Cash from Operating Activities	14.0	10.0			
Cash for Investing Activities					
Capital Expenditures	(6.0)	(2.8)			
Purchase of CRDA Obligations	<u>(3.3)</u>	<u>(3.2)</u>			
Net Cash Used for Investing	(9.3)	(6.0)			
Cash for Financing Activities					
Proceeds from Long-term Debt, Net	0.4	65.7			
Payments on Debt	<u>(6.0)</u>	<u>(64.5)</u>			
Cash Provided by Financing	<u>(5.6)</u>	<u>1.2</u>			
Net Increase (Decrease) in Cash	(0.9)	5.2			
Cash at Beginning of Period	<u>15.4</u>	<u>14.5</u>			
Cash at End of Period	<u>\$14.5</u>	<u>\$19.7</u>			

During 1998, Castle had cash flow from operations of \$10 million despite its net loss of \$23.6 million. This was primarily a result of two non-cash items, depreciation and the issuance of additional "PIK Notes" in exchange for accrued interest. The cash from operations was used for \$2.8 million in capital expenditures and \$3.2 million for CRDA obligations.

In April 1998, Castle refinanced the \$32.9 million outstanding balance on its five-year term note with Midlantic Bank, N.A. (now PNC Bank) dated as of May 28, 1995, ("Castle Term Loan") and \$27 million in 11.5% senior notes issued in 1993 ("Old Senior Notes") through the issuance of the Castle Senior Notes. In addition, Castle issued the Castle Working Capital Notes. While this refinancing did not substantially change Castle's annual interest expense, it eliminated \$5.9 million in annual principal repayments on the Term Loan and Old Senior Notes due in each of 1998 and 1999, extended the maturity dates of the refinanced debt from 2000 to 2003 and provided \$5 million in working capital for Castle.

Due to cash flow from operations and the net effect of the refinancing, Castle's cash increased by \$5.2 million during 1998, resulting in a cash balance of \$19.7 million as of December 31, 1998. Castle forecasts its net loss from operations will [REDACTED] in 1999, 2000, and 2001. However, due to non-cash items, primarily depreciation and the issuance of PIK Notes for accrued interest, Castle forecasts it will achieve cash from operations sufficient to repay [REDACTED] in payables to TCS in 2000 and [REDACTED] in 2001. The [REDACTED] in forecasted payments to TCS are voluntary. Castle further forecasts [REDACTED] in capital expenditures in 1999, 2000 and 2001.

Cash is expected to increase slightly each year to [REDACTED] by year end 2001. Castle forwards cash on a monthly basis to TCFI toward the interest payment on the Castle Mortgage Notes. These funds are not included in Castle's cash balance.

c. Analysis

Castle's net revenue in 1998 remained even with 1997 levels; however, by curtailing costs Castle was able to increase its GOP by \$6.5 million. Also during 1998 Castle refinanced the Castle Term Loan and Old Senior Notes thereby eliminating approximately \$5.9 million in principal repayments during each of 1998 and 1999 and extending the maturity dates of this debt from 2000 to 2003. In addition, approximately \$5 million in working capital funds were provided for Castle. As a result, Castle was able to meet its expenses and interest costs without further accruals to TCS.

Castle forecasts increases in GOP of \$ [REDACTED] in 1999, [REDACTED] in 2000 and [REDACTED] in 2001, which are modest compared to the \$6.5 million increase achieved in 1998. If these forecasts are achieved, it would enable Castle to meet its interest obligations, fund capital expenditures of \$ [REDACTED] per year and voluntarily pay down [REDACTED] toward its intercompany obligation to TCS while maintaining year end cash balances in excess of [REDACTED].

Under a no growth scenario (GOP to remain at 1998 level throughout forecast period), Castle would still generate sufficient operating cash flow to meet its needs and to maintain year end cash balances of approximately [REDACTED]. However, under a no growth scenario, Castle would not be able to make the [REDACTED] in voluntary payments toward its intercompany obligation with TCS. Based on the quarterly financial statements

filed with the CCC, Castle's GOP for the first three months of 1999 is \$0.6 million less than for the first three months of 1998. However, Castle's net revenue for April 1999 was 17.5% higher than April 1998.

The Castle Mortgage Notes mature in November 2003. The Castle Senior Notes and Castle Working Capital Notes both mature in April 2003. Additionally, after November 15, 2003, interest on the PIK Notes is payable in cash at the interest rate of 13.875%. Castle will have to address its plans for the maturing debt and increased cash interest in conjunction with its next license renewal application, if not sooner.

2. Trump Plaza Associates

a. Actual and Forecasted Operations

Table 3 below presents Plaza's actual and forecasted GOP and GOP margins for the five years ending December 31, 2001:

Table 3
 Trump Plaza Associates
 Net Revenue, GOP and GOP Margin
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual 1997	Actual 1998	Forecasted 1999	Forecasted 2000	Forecasted 2001
Net Revenue	\$414.3	\$412.7	[REDACTED]	[REDACTED]	[REDACTED]
Costs and Expenses	(335.8)	(331.6)	[REDACTED]	[REDACTED]	[REDACTED]
GOP	\$78.5	\$81.1	[REDACTED]	[REDACTED]	[REDACTED]
GOP Margin	18.9%	19.7%	[REDACTED]	[REDACTED]	[REDACTED]

Plaza's net revenue is forecasted to increase [REDACTED] and [REDACTED] in 1999, 2000 and 2001, respectively. Operational costs are anticipated to increase [REDACTED] in 1999 and at an inflationary rate of [REDACTED] hereafter. Since the forecasted percentage growth in net

revenue exceeds the forecasted percentage growth in expenses, GOP and GOP margins are forecasted to improve over the forecast period.

b. Actual and Forecasted Cash Flows

Table 4 below presents Plaza's actual and forecasted cash flows for the five years ending December 31, 2001:

Table 4
Trump Plaza Associates
Cash Flow Summary
For the Five Years Ending December 31, 2001
(\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Cash from Operating Activities					
Net Income	(\$4.1)	\$1.4			
Depreciation and Amortization	24.3	24.7			
Net Increase (Decrease) in					
Other Current Liabilities	(2.8)	2.0			
Other	<u>0.5</u>	<u>(0.5)</u>			
Net Cash from Operating Activities	17.9	27.6			
Cash for Investing Activities					
Capital Expenditures	(23.3)	(12.0)			
Purchase of CRDA Obligations	(4.5)	(4.6)			
Purchase of Other Investments	<u>7.1</u>	<u>(4.5)</u>			
Net Cash Used for Investing	(20.7)	(21.1)			
Cash for Financing Activities					
Capital Contribution	10.1	0.0			
Proceeds from Short-term Debt	1.2	0.7			
Payments on Short-term Debt	(10.5)	(7.2)			
Issuance of Long-term Debt	1.9	0.0			
CRDA Receivable	<u>0.0</u>	<u>0.0</u>			
Cash Provided by Financing	<u>2.7</u>	<u>(6.5)</u>			
Net Increase (Decrease) in Cash	(0.1)	0.0			
Cash at Beginning of Period	<u>26.6</u>	<u>26.5</u>			
Cash at End of Period	<u>\$26.5</u>	<u>\$26.5</u>			

With the expansion of Trump Plaza completed, capital expenditures dropped in 1998 and are forecasted to remain low through 2001 thus easing any large cash needs. With no mandatory principal repayment due during the forecast period, Plaza's forecasts reflect that it will have sufficient operating cash flow to meet its needs and to increase its cash by [REDACTED]. Management projects that even with a no growth scenario, Plaza would be able to meet all of its cash needs and still increase its cash by [REDACTED] over the forecast period. Thus, a no growth scenario would result in only a [REDACTED] reduction in overall cash generated during the forecast period.

c. Analysis

Given the low capital expenditures forecasted and the lack of any principal loan repayment during the period, the prospective financial condition of Trump Plaza appears sound with a strong cash cushion. In addition, management forecasts that [REDACTED] of funds currently unused under the \$75 million Capital Expenditure Notes will remain available during the license period. These funds could be used to fund 75% of capital expenditures at Plaza if needed. While Plaza's GOP for the first quarter of 1999 was \$1.8 million less than 1998's first quarter GOP, cash approximates what it would be in a no growth scenario at \$22.9 million. In addition, Plaza's net revenue for April 1999 improved by 15.7% over April 1998.

3. Trump Taj Mahal Associates

a. Actual and Forecasted Operations

Table 5 below presents the actual and forecasted GOP and GOP margins for Taj Mahal for the five years ending December 31, 2001:

Table 5
 Trump Taj Mahal Associates
 Net Revenue, GOP and GOP Margin
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Net Revenue	\$567.9	\$566.4	[REDACTED]	[REDACTED]	[REDACTED]
Costs and Expenses	<u>(432.3)</u>	<u>(429.3)</u>	[REDACTED]	[REDACTED]	[REDACTED]
GOP	<u>\$135.6</u>	<u>\$137.1</u>	[REDACTED]	[REDACTED]	[REDACTED]
GOP Margin	23.9%	24.2%	[REDACTED]	[REDACTED]	[REDACTED]

Taj Mahal's net revenue remained flat in 1998; however, GOP increased 1.1%. The increase in GOP was due to lower costs and expenses.

Taj Mahal forecasts net revenue to increase in 1999, 2000, and 2001 by [REDACTED]

[REDACTED] respectively, from increases in slot revenue and simulcasting revenue.

Revenue growth is forecasted to increase at a slightly higher percentage than expenses.

Operational costs are anticipated to decline slightly in 1999, and then increase by [REDACTED] in

each of 2000 and 2001. This results in increasing GOP throughout the forecast period.

b. Actual and Forecasted Cash Flows

Table 6 below presents the actual and forecasted cash flows for Taj Mahal for the five years ending December 31, 2001:

Table 6
 Trump Taj Mahal Associates
 Cash Flow Summary
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Cash from Operating Activities					
Net Income (Loss)	(\$10.2)	(\$1.1)			
Depreciation and Amortization	45.8	40.3			
Other	<u>7.9</u>	<u>(13.1)</u>			
Net Cash from Operating Activities	43.5	26.1			
Cash for Investing Activities					
Capital Expenditures	(40.8)	(8.5)			
Purchase of CRDA Obligations	<u>(6.6)</u>	<u>(6.4)</u>			
Net Cash Used for Investing	(47.4)	(14.8)			
Cash for Financing Activities					
Payments on Long-term Debt	<u>(2.1)</u>	<u>(1.9)</u>			
Cash Provided by Financing	<u>(2.1)</u>	<u>(1.9)</u>			
Net Increase (Decrease) in Cash	(6.0)	9.4			
Cash at Beginning of Period	<u>37.4</u>	<u>31.4</u>			
Cash at End of Period	<u>\$31.4</u>	<u>\$40.8</u>			

In 1998, net cash from operating activities was \$17.4 million lower than 1997. This decline in operating cash flow was due primarily to a decrease in other current liabilities excluding debt, which is listed under "Other" on Table 6 above.

Taj Mahal expects to generate [REDACTED] from operating cash flows for the three-year forecast period ending December 31, 2001. No major capital expenditures or long-term debt payments are forecasted. This is projected to increase available cash to [REDACTED] by the end of December 31, 2001. Taj Mahal projects adequate cash

balances to cover operational expenses, even in a no growth scenario. In a no growth scenario, cash would increase to [REDACTED] by December 31, 2001, which is [REDACTED] lower than currently forecasted.

c. Analysis

The forecasts for Taj Mahal indicate that the company should maintain its financial flexibility through the review period ending December 31, 2001. If no growth occurs, the amount of available cash will be lower by [REDACTED] but will be ample to maintain operations and expenses. In the first quarter of 1999, GOP for Taj Mahal was \$1.6 million below the first quarter of 1998. Even though cash is short of the projections submitted, beginning cash is sufficient to sustain a no growth scenario. Furthermore, Taj Mahal's net revenue for April 1999 was 11.1% higher than April 1998.

4. Trump Atlantic City Associates

Currently, the proceeds from the Mortgage Notes and the Working Capital Notes are fully utilized. Of the Capital Expenditure Notes, \$15.9 million remain unutilized and are expected to remain available during the license period. These funds would be available to fund up to 75% of capital expenditures at either Plaza or Taj Mahal, or both. No principal amount is due on the TACA Notes until 2006. Neither TACA nor the TAC Fundings have operations of their own, so their ability to make their debt service payments is contingent on the adequate generation of cash at Plaza and Taj Mahal. Projections for TACA show that there will be adequate cash generated by Plaza and Taj Mahal to pay the interest on all of the TACA Notes during the license period.

Trump management has stated that it intends to transfer cash from either Plaza or Taj Mahal or both through TACA to Trump Holdings to fund interest payments on the

Senior Notes and to fund \$10 million annually in administrative expenses. Management projects that it will need to transfer [REDACTED] through TACA between 1999 and 2001 from either Plaza or Taj Mahal or both to meet all of Trump Holdings' cash needs. This is permitted by the indenture, dated April 17, 1996, that governs the Mortgage Notes, and the funds are projected to be available at Plaza and Taj Mahal. By December 31, 2001, total cash at Plaza is forecasted to be [REDACTED] (in a no growth scenario) and at Taj Mahal total cash is forecasted to be [REDACTED] (in a no growth scenario), resulting in combined cash of [REDACTED] (in a no growth scenario).

5. Trump Casino Services, L.L.C.

TCS, although it holds a casino license, does not generate revenues. TCS provides management, administrative and other similar and related services with respect to business and operations of certain affiliated companies. TCS began providing services to Plaza and Taj Mahal under a Services Agreement executed on July 8, 1996, and to Castle as of October 8, 1996. Trump Indiana was added when the Services Agreement was amended and restated as of January 1, 1998.

TCS centrally procures and purchases goods and services for each of the individual NJ Operating Casinos, Trump Indiana and Trump Holdings as well as goods and services procured or provided collectively on behalf of the operating casinos. TCS is funded through charges to the NJ Operating Casinos for costs incurred on their behalf and to Trump Holdings for some corporate charges and minor capital expenditures. Charges for the individual goods and services flow directly to the NJ Operating Casinos. TCS also allocates charges for collective services to the individual casinos and Trump Holdings.

According to management, any charges or allocations related to Trump Indiana would be passed to Trump Holdings.

During 1998, charges for goods and services for the NJ Operating Casinos totaled \$460 million and are expected to increase to \$469 million for 1999, \$478 million for 2000, and \$487 million for 2001. There were no direct charges to Trump Holdings in 1998 and none are forecasted through 2001. Total allocated charges, including Trump Holdings, for all entities in 1998 were \$26.6 million and are expected to increase slightly through 2001. Management has estimated the savings to THCR and its subsidiaries for the centralization of purchasing and services at \$31.9 million annually.

TCS invoices expenses to the NJ Operating Casinos and Trump Holdings, who may either pay for the invoiced expenses to TCS or establish intercompany accounts with TCS. As of December 31, 1998 the net amount owed to TCS by the NJ Operating Casinos was: Taj Mahal \$15.4 million; Castle \$20.3 million, and Plaza \$10.2 million. TCS, in turn, owes Trump Holdings \$2.4 million and TACA \$32.9 million. These amounts are projected to remain stable during the license period, except for a repayment by Castle of [REDACTED] if forecasts are achieved. Management has stated that it will neither transfer funds from TCS to either Trump Indiana or THCR's pending riverboat casino acquisition in Kansas City, Missouri ("KC Riverboat"), nor have TCS extend credit to these entities. (Trump Indiana is currently included in the Services Agreement; KC Riverboat is not yet included).

6. Trump Hotels and Casino Resorts, Inc.

THCR and Trump Holdings commenced operations on June 12, 1995, with gaming revenue generated solely by Plaza. During 1996, Taj Mahal was merged into THCR's corporate structure, the Trump Indiana riverboat commenced operations, and the Castle

was acquired. On January 13, 1999, THCR entered into an agreement to purchase the KC Riverboat from Hilton Hotels Corporation for \$15 million. The KC Riverboat purchase is expected to be finalized in June 1999, after THCR receives regulatory approval from the Missouri Gaming Commission.

As was observed from the outset, THCR, Trump Holdings and THCR Funding do not generate revenue, so their ability to service their debt is dependent on the successful operations of the NJ Operating Casinos, Trump Indiana and the KC Riverboat, once licensed.

a. Actual and Forecasted Operations

Table 7 below presents the actual and forecasted results from operations for the five years ending December 31, 2001:

Table 7
Trump Hotels and Casino Resorts, Inc.
Actual and Forecasted Consolidated Operations
For the Five Years Ending December 31, 2001
(\$ in millions)

	Actual 1997	Actual 1998	Forecasted 1999	Forecasted 2000	Forecasted 2001
Net Revenue	\$1,399.4	\$1,403.6			
Costs and Expenses	<u>(1,245.8)</u>	<u>(1,244.7)</u>			
Income from Operations	153.6	158.9			
Interest Expense	(211.5)	(223.1)			
Other Income (Expenses)	(8.4)	1.6			
Minority Interest	<u>24.2</u>	<u>22.9</u>			
Net Loss	<u>(\$42.1)</u>	<u>(\$39.7)</u>			

During 1998, THCR's consolidated income from operations increased by \$5.3 million due to higher revenues and slightly lower costs and expenses. However,

interest expense for 1998 rose by \$11.6 million, due to the issuance of the \$75 million in Capital Expenditure Notes and \$25 million in Working Capital Notes in December 1997.

For 1999, net revenues are expected to increase at all three NJ Operating Casinos, as well as Trump Indiana. Furthermore, the KC Riverboat is projected to generate net revenue of [REDACTED] during 1999, assuming THCR has ownership of the KC Riverboat for the last six months of 1999. As a result, consolidated net revenue for 1999 is projected to increase by [REDACTED] to [REDACTED], resulting in an increase in consolidated income from operations of [REDACTED]. These increases are expected to continue through the remainder of the forecast period, with net revenue increasing by [REDACTED] billion for 2000 and by [REDACTED] for 2001, while consolidated income from operations is projected to rise by [REDACTED] for 2000 and by [REDACTED] for 2001.

Due primarily to interest expense, THCR's net loss amounted to \$39.7 million in 1998, and THCR, though improving, is forecasted to continue showing net losses throughout the forecast period ending 2001. As shown in Table 8 below, all of the NJ Operating Casinos, as well as Trump Indiana, had positive income from operations for 1998 but, as a result of interest expense, they all continue to report net losses. The \$22.9 million for minority interest reflected in Table 8 represents DJT's partnership interest in Trump Holdings.

Table 8
Trump Hotels and Casino Resorts, Inc.
Consolidating Income Summary
For the Year Ending December 31, 1998
(\$ in millions)

	<u>Taj</u>	<u>Plaza</u>	<u>Castle</u>	<u>Indiana</u>	<u>Adjustments</u>	<u>THCR Consolidated</u>
Income from Operations	\$92.7	\$47.9	\$28.8	\$2.4	(\$12.9)	\$158.9
Interest Expense	(94.1)	(47.7)	(52.3)	(9.0)	(20.0)	(223.1)
Other Income (Expenses)	<u>0.3</u>	<u>1.3</u>	<u>(0.1)</u>	<u>(3.6)</u>	<u>3.7</u>	<u>1.6</u>
Loss Before Minority Interest	(1.1)	1.5	(23.6)	(10.2)	(29.2)	(62.6)
Minority Interest					-	<u>22.9</u>
Net Loss						<u>(\$39.7)</u>

b. Actual And Forecasted Cash Flows

Table 9 below shows the actual and forecasted consolidated cash flows for THCR for the five years ending December 31, 1997, through December 31, 2001.

Table 9
 Trump Hotels and Casino Resorts, Inc.
 Cash Flow Summary
 For the Five Years Ending December 31, 2001
 (\$ in millions)

	Actual <u>1997</u>	Actual <u>1998</u>	Forecasted <u>1999</u>	Forecasted <u>2000</u>	Forecasted <u>2001</u>
Cash from Operating Activities					
Net Income (Loss)	(\$42.1)	(\$39.7)			
Depreciation and Amortization	98.0	93.7			
Minority Interest	(24.2)	(22.9)			
Interest Income - Castle PIK Notes	(9.2)	(10.6)			
Other - Net	<u>(26.5)</u>	<u>12.1</u>			
Net Cash from Operating Activities	(4.0)	32.6			
Cash for Investing Activities					
Capital Expenditures, Net	(77.6)	(38.7)			
Purchase of CRDA Obligations	(14.4)	(14.2)			
Restricted Cash	(13.0)	10.5			
Other - Net	<u>5.9</u>	<u>(2.0)</u>			
Net Cash Used for Investing	(99.1)	(44.4)			
Cash for Financing Activities					
Net Proceeds from Issuance of Debt	107.8	67.0			
Payments on Debt	(22.8)	(78.5)			
CRDA Receivable	0.0	0.0			
Purchase of Treasury Stock	<u>(17.3)</u>	<u>(2.3)</u>			
Cash Provided by Financing	<u>67.7</u>	<u>(13.8)</u>			
Net Increase (Decrease) in Cash	(35.4)	(25.6)			
Cash at Beginning of Period	<u>175.7</u>	<u>140.3</u>			
Cash at End of Period	<u>\$140.3</u>	<u>\$114.7</u>			

Despite a net loss of \$39.7 million, THCR was able to generate cash from operations of \$32.6 million for 1998. As THCR's net loss is forecasted to decrease over the next three years, cash generated from operations is expected to increase to [redacted] in 1999, [redacted] in 2000 and [redacted] in 2001.

The primary use of cash for 1998 was payments on debt of \$78.5 million, resulting primarily from the refinancing of certain Castle debt in April 1998, with new debt totaling \$67 million. In 1999, \$25 million of additional long-term debt related to the new KC Riverboat is expected, while no new debt is forecasted to be issued by THCR or any of its subsidiaries in 2000 or 2001. In addition, net capital expenditures are projected to increase by [REDACTED] 1999, due primarily to the acquisition of the KC Riverboat. Of the [REDACTED] capital expenditures forecasted for Trump Indiana from 1999 to 2001, [REDACTED] of this represents payments toward economic development of the surrounding area. While there is no specific annual requirement for economic development expenditures, Trump Indiana is required to spend \$18.5 million in total economic development.

Of THCR's \$114.7 million cash balance at December 31, 1998, only \$4.4 million was maintained at Trump Holdings. During 1998, Trump Holdings received \$33.1 million from the \$75 million Capital Expenditure Notes, \$22.5 million from TACA to cover the interest payments on the \$145 million Senior Notes, and \$13 million from DJT on January 29, 1998, as repayment on a loan. However, Trump Holdings used these funds to pay \$22.5 million for the Senior Notes interest, and to make two loans to DJT of \$11 million and \$13.5 million, the latter of which THCR Enterprises utilized to purchase a loan that DJT had with Donaldson, Lufkin and Jenrette ("DLJ Loan"). The DLJ loan is secured by a pledge of the convertible partnership interests in Trump Holdings held directly by DJT and indirectly through TCI, as well as the majority of his 1,000 shares of THCR's Class B common stock.

The DLJ loan is held by THCR Enterprises, and the forecasts submitted in connection with the license renewal showed DJT paying this loan off, in its entirety, by the maturity date of April 17, 1999. However, Applicants expect to extend the maturity date of the DLJ Loan, as well as the \$11 million loan, to May 2000. See petition filed on May 20, 1999 (PRN 1409901). Furthermore, additional partnership interests and Class B common stock held indirectly by DJT through TCI-II will now be pledged as security on the DLJ Loan. Based upon our review, the Division does not object to the relief requested in the petition. In the event that the principal on these two loans is not paid during the forecast period, Trump Holdings would still be able to maintain a cash balance due to the resulting increase in interest income during 2000 and 2001.

In addition, Trump Holdings forecasts receiving cash from Trump Indiana of [REDACTED] for 1999, [REDACTED] for 2000, and [REDACTED] for 2001. These payments represent management fees as well as interest and principal repayments on an intercompany loan between Trump Holdings and Trump Indiana, which had a balance of \$58.3 million at December 31, 1998. Management has also stated that Trump Indiana is in the final planning stages for building a 1,600 space parking garage to compliment the Trump Indiana riverboat. Furthermore, Trump Holdings anticipates receiving cash from the KC Riverboat beginning with [REDACTED] in 2001 in management fees. Trump Indiana and the KC Riverboat will each maintain a [REDACTED] cash balance, with any excess cash going to Trump Holdings as payment on these intercompany obligations.

c. Analysis

THCR and Trump Holdings forecast being able to both cover their expenses and to make the interest payments on the Senior Notes throughout the forecast period. Even if

the cash to be received from Trump Indiana falls approximately [REDACTED] short of projections, Trump Holdings is still forecasted to have sufficient cash to cover its expenses and interest payments, assuming the loans made to DJT are paid by the due date of May 2000. However, the one-year delay in the payment of the DLJ loan shifts the receipt of over \$13 million in principal from 1999 to 2000 and thereby reduces the financial flexibility of THCR in the short-term.

C. CONSOLIDATED DEBT REVIEW

Table 10 below presents the consolidated debt of THCR as of December 31, 1997, and 1998:

Table 10
Trump Hotels and Casino Resorts, Inc.
Consolidated Debt
As of December 31, 1997 and December 31, 1998
(\$ in millions)

<u>Description</u>	<u>1997</u>	<u>1998</u>
TACA		
TAC Funding 11.25% Mortgage Notes, due 2006	\$1,200.0	\$1,200.0
TAC Funding II 11.25% Mortgage Notes, due 2006	72.1	72.6
TAC Funding III 11.25% Mortgage Notes, due 2006	<u>23.6</u>	<u>23.8</u>
Total TACA Long Term Debt	1,295.7	1,296.4
Castle		
Castle 11.75% Mortgage Notes, due 2003	212.0	215.3
Castle Pay-in-Kind (PIK) 13.875% Notes, due 2005	73.7	85.7
Castle Senior Notes, due 2003	0.0	62.0
Castle Term Loan, due 2000	32.9	0.0
Castle Senior Notes, due 2000	27.0	0.0
Castle Working Capital Loan, due 2003	<u>0.0</u>	<u>5.0</u>
Total Castle Long Term Debt	345.6	368.0
Trump Holdings 15.5% Senior Secured Notes, due 2005	145.0	145.0
Trump Indiana Notes, various maturities (1999-2001)	36.9	30.4
Other Notes Payable, various maturities (1999-2012)	<u>16.3</u>	<u>9.1</u>
Sub-total	1,839.5	1,849.0
Less: Current Maturities	<u>(21.9)</u>	<u>(10.5)</u>
TOTAL	\$1,817.6	\$1,838.5

Beginning in 1998, the funds for the \$22.5 million in annual interest payments on the Senior Notes were provided to Trump Holdings by TACA due to the low cash balance at Trump Holdings. Trump Holdings forecasts receiving an additional [REDACTED] in 1999 and [REDACTED] in 2000 from TACA for interest payments on the Senior Notes. These payments are permitted under the indenture governing the Mortgage Notes, which allows for a lifetime \$50 million aggregate limit on such payments. Therefore, beginning in 2000, Trump Holdings will be dependent on receiving funds from Trump Indiana and the KC Riverboat to fund the Senior Notes' interest.

As of December 31, 1998, Trump Indiana had three long-term debt obligations: (1) a \$2.8 million equipment loan due July 1, 1999; (2) a \$13.0 million loan due June 1, 2001, which is secured by the Trump Indiana's recently constructed 300-room hotel; and (3) a \$14.6 million loan secured by the Indiana Riverboat which matures in June 2006 but is callable by the lenders in 2001. Trump Indiana forecasts paying off the \$2.8 million equipment loan in 1999 and the \$13.0 million hotel loan by 2001. Trump Indiana forecasts paying down a portion of the \$14.6 million riverboat loan during the forecast period, and then refinancing the balance due in 2001 at its current terms.

In addition to these debt items, the KC Riverboat anticipates securing \$25 million in new debt during 1999. The proceeds from this new debt will be used to cover the purchase price of the KC Riverboat, provide for \$6.0 million in renovations and cover transaction and start-up costs.

With the exception of the Trump Indiana debt detailed above, no significant long-term debt of THCR or its subsidiaries is currently due to mature before 2003.

D. FINANCIAL STABILITY

In December 1997, TACA issued an additional \$100 million in first mortgage debt to be used for working capital and capital expenditures at Taj Mahal and Plaza. All but \$15.9 million of these funds have already been utilized with the balance scheduled to remain available throughout the forecast period. In 1998, Castle issued \$67 million of new debt which refinanced \$59.9 million of existing debt and provided an additional \$5 million in working capital. This refinancing eliminated \$5.9 million in annual principal repayments that would have been due in each of 1998 and 1999 and extended the maturity from 2000 to 2003.

In 1998, all three NJ Operating Casinos improved their GOP and had sufficient operating cash flow to cover capital expenditures and CRDA obligations and to service debt. After satisfying the aforementioned expenses, the cash balances increased by \$9.4 million at Taj Mahal and \$5.2 million at Castle (with \$1.2 million coming from the net proceeds of the refinancing of debt), but were flat at Plaza.

Each NJ Operating Casino is expecting to generate sufficient operating cash flow to cover all of its expenses, including capital expenditures, through the forecast period. Due to forecasted improvements in GOP, total cash at the NJ Operating Casinos is expected to increase by [REDACTED] by December 31, 2001.

Under a no growth scenario, aggregate cash at the three NJ Operating Casinos would increase by [REDACTED] at December 31, 2001, prior to the transfer of funds to Trump Holdings, [REDACTED] less than management's forecasted increase. Castle would still generate sufficient operating cash flow to meet its needs, but would not be able to make the [REDACTED] in voluntary payments toward its intercompany obligation with TCS,

which it currently forecasts. At Taj Mahal and Plaza, combined operating cash flow would still be sufficient to satisfy anticipated expenditures including interest and administrative expenses at Trump Holdings. However, all of the funds permitted by the existing Mortgage Notes indenture (\$50 million aggregate) to be transferred to Trump Holdings from Taj Mahal and Plaza for interest expense would be exhausted. An additional \$10 million annually combined from Taj Mahal and Plaza is permitted under the indenture to cover administrative expenses at Trump Holdings.

The original forecasts showed \$24 million in principal loan payments were to be made by DJT to Trump Holdings between April 1999 and March 2000. Management has petitioned to extend repayment of the loans to May 2000. This extension reflects a shift in cash at THCR of approximately \$13 million from April 1999 to May 2000, and \$11 million from March 2000 to May 2000.

During the forecast period Trump Indiana has [REDACTED] in principal debt service payments. Management forecasts that, with the addition of the recently completed 300-room hotel, Trump Indiana will have sufficient operating cash flow to make these debt payments and to pay Trump Holdings [REDACTED] in intercompany debt service and management fees during the forecast period.

Even though the GOP of the NJ Operating Casinos for the first quarter of 1999 was \$4 million in total below GOP for the similar period of 1998, cash at March 31, 1999, approximates what would be expected under a no growth scenario. Further, net revenue for the month of April 1999 improved over April 1998 as follows: Taj Mahal, 11.1%; Plaza, 15.7%, and Castle, 17.5%.

In conclusion, even under a no growth scenario, the NJ Operating Casinos are forecasted to generate sufficient operating cash to meet their capital expenditures, CRDA obligations and any debt repayment thus exhibiting the requisite financial stability through 2001. Total cash during the period for all three NJ Operating Casinos under this no growth scenario is forecasted to increase [REDACTED] (prior to [REDACTED] going to Trump Holdings from Taj Mahal and/or Plaza for interest and administrative expenses), which, in addition to the total cash balance of \$87 million as of December 31, 1998, would provide financial flexibility.

Therefore, the Division concludes that each of the NJ Operating Casinos, TCS and THCR appear to have flexibility to continue to meet their anticipated obligations through 2001. Accordingly, the Division submits that Castle, Plaza, Taj Mahal and TCS have demonstrated the requisite financial stability, integrity and responsibility. *N.J.S.A. 5:12-84a*; see *N.J.A.C. 19:43-4.2(b) 1* through 5. Based upon the information contained above, and subject to the recommended conditions, the Division has no objection from a financial perspective to the Commission issuing Castle, Plaza, Taj Mahal and TCS renewed casino licenses for a four-year period.

V. CONCLUSION

Based upon the information contained in this report and related reports, the Division has no objection to the Commission issuing TTMA, TCA, TPA and TCS casino licenses for four-year periods, subject to the conditions set forth in Exhibit 5. Additionally, the Division does not object to the approval of the Applicants' request to extend the maturity dates of two loans.

Respectfully submitted

JOHN PETER SUAREZ
DIRECTOR

By:


Raymond J. Marquez
Deputy Attorney General

By:


Dorothy G. Turi
Deputy Attorney General

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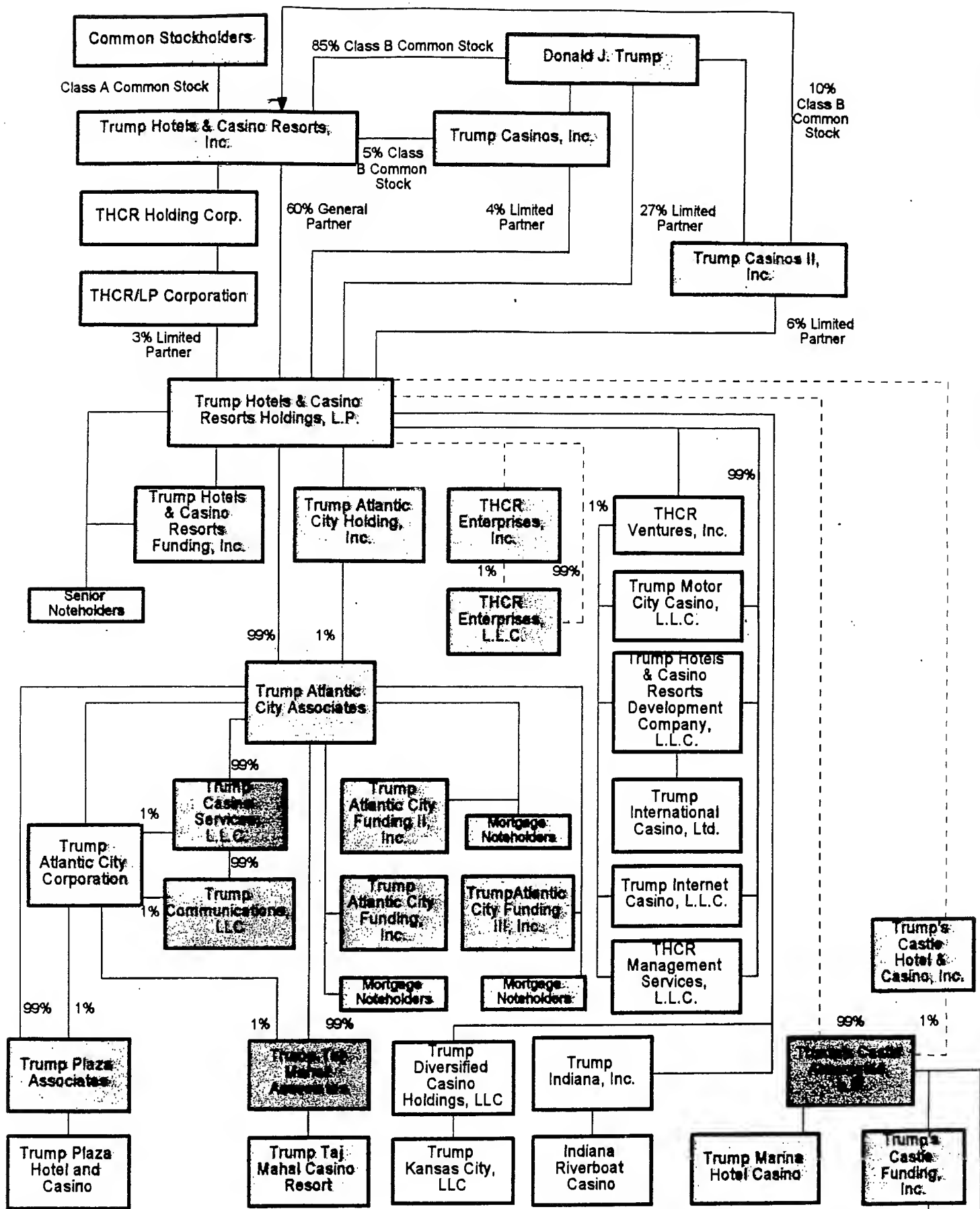
Dated: May 26, 1999

c: Members of the Commission
John Zimmerman, Esq.
Leonard J. DiGiacomo, Esq.
Paul M. O'Gara, Esq.
Joseph A. Fusco, Esq.
Christopher Glaum

ORGANIZATIONAL STRUCTURE TRUMP HOTELS & CASINO RESORTS, INC.

EXHIBIT 1

(NOTE: All unmarked lines represent 100% ownership interests.)



Legend:

- Note and shareholders
- Holding and intermediary companies
- Casino licensees
- Trade names of operating casinos
- Other affiliated companies

Bondholders

EXHIBIT 2

ENTITY QUALIFIERS

	TPA	TCA	TTMA	TCS
THCR Enterprises, Inc.	X	X	X	X
THCR Enterprises, L.L.C.	X	X	X	X
THCR Holding Corp.	X	X	X	X
THCR/LP Corporation	X	X	X	X
Trump Atlantic City Associates	X	X	X	X
Trump Atlantic City Corporation	X	X	X	X
Trump Atlantic City Funding, Inc.	X	X	X	X
Trump Atlantic City Funding II, Inc.	X	X	X	X
Trump Atlantic City Funding III, Inc.	X	X	X	X
Trump Atlantic City Holding, Inc.	X	X	X	X
Trump Casinos, Inc.	X	X	X	X
Trump Casinos II, Inc.	X	X	X	X
Trump Communications, L.L.C.	X	X	X	X
Trump Hotels & Casino Resorts, Inc.	X	X	X	X
Trump Hotels & Casino Resorts Funding, Inc.	X	X	X	X
Trump Hotels & Casino Resorts Holding, L.P.	X	X	X	X
Trump's Castle Funding, Inc.		X		
Trump's Castle Hotel and Casino, Inc.		X		

TPA = Trump Plaza Associates
 TCA = Trump's Castle Associates
 TTMA = Trump Taj Mahal Associates
 TCS = Trump Casino Services, L.L.C.

EXHIBIT 3

NATURAL PERSON QUALIFIERS

NAME	ID	RS	tpa	tca	ttma	tcs	POSITION(S)
Agnellini, Pacifico S.	3446-03			X			TCA - Director of Legal Affairs
Alcorn, Ronald	3318-03 1623-11	NJ			X		TTMA - Vice President, Casino Finance Operations
Askins, Wallace B.	3319-03	NJ	X	X	X	X	TACFI - Director TACFI2 - Director TACFI3 - Director TACHI - Director THCRFI - Director THCRI - Director and Member, Special and Audit Committees
Bahr, Arthur S.	3374-03	CT		X			TCA - Member, Board of Partner Representatives TCHC - Director
Bauers, Robert W., Sr.	3363-03 6013-11	NJ	X				TPA - Vice President of Security
Block, Carla	3320-03 5712-11	NJ			X		TTMA - Vice President, Data Base Marketing
Brown, Mark A.	3376-03 3161-11	NJ		X			TCA - President and Chief Operating Officer TCHC - Vice President

Burke, John P.	3321-03 5312-11	NY	X	X	X	X	TPA - Treasurer TCA - Treasurer, Vice President and Member, Board of Partner Representatives TTMA - Corporate Treasurer TCS - Executive Vice President and Corporate Treasurer TACA - Senior Vice President of Finance and Treasurer TACC - Treasurer TACFI - Corporate Treasurer TACFI2 - Corporate Treasurer TACFI3 - Corporate Treasurer TACHI - Vice President and Assistant Treasurer TCFI - Vice President and Treasurer TCHC - Director, Vice President and Assistant Treasurer TCI - Assistant Treasurer TCI2 - Vice President and Assistant Treasurer THCREI - Vice President and Treasurer THCRFI - Corporate Treasurer and Executive Vice President of Corporate Finance THCRH - Corporate Treasurer and Executive Vice President of Corporate Finance THCRHC - Assistant Treasurer THCRI - Corporate Treasurer and Executive Vice President of Corporate Finance THCRLP - Assistant Treasurer
Buro, Fred A.	3364-03 5781-11	NJ	X				TPA - General Manager
Calabro, Stephen R.	3322-03 2993-11	NJ			X		TTMA - Vice President, Casino Marketing
Cammarasana, Michael J	3377-03			X			TCA - Senior Vice President of National Marketing
Ciancimino, Kenneth	3323-03 6777-11	NJ	X	X	X	X	TCS - Vice President Administration
Clark, Larry W.	3324-03 2531-11	NJ			X		TTMA - Executive Vice President. Casino Operations
Cole, Deborah	3325-03 6651-11	NJ	X				TPA - Vice President of Marketing
Cunningham, Frederick	3546-03 6015-11	NJ	X				TPA - Executive Director of Legal Affairs

DeVarona, Gonzalo	3327-03 5701-11	NJ			X		TTMA - Vice President, Latin Marketing
DiCesare, Robert	3524-03 0484-11	NJ	X				TPA - Executive Director of Marketing Services
Ferretti, Robert	3328-03 5368-11	NJ			X		TTMA - Vice President, Slot Player Development
Fiore, Thomas	3365-03 5645-11	NJ	X				TPA - Vice President of Player Development
Fusco, Joseph A.	3329-03 6614-11	NJ	X	X	X	X	TCS - Executive Vice President of Government Relations & Regulatory Affairs THCRI - Executive Vice President of Government Relations & Regulatory Affairs
Gitto, Tom	3331-03 5742-11	NJ			X		TTMA - Vice President, Simulcast Facilities
Glebocki, Theresa Ann	3332-03 4954-11	NJ	X				TPA - Executive Director of Finance
Guzzardo, Joseph J.	3333-03 5846-11	NJ	X	X	X	X	TCS - Vice President of Corporate Security
Harrington, George	3366-03 6737-11	NJ	X				TPA - Vice President, Hotel Operations
Heller, Michael B.	3367-03 6434-11	NJ	X				TPA - Vice President of Sales
Intrabartolo, Vincent	3378-03 5847-11	NJ		X			TCA - Vice President, National Marketing/Player Development
Keyser, Craig D.	3334-03 6064-11	NJ	X	X	X	X	TCS - Senior Vice President of Human Resources & Administration
Klima, George	3448-03 4756-11	NJ	X	X	X	X	TCS - Vice President of Purchasing
Kohlross, Walter	3335-03 6124-11	NJ			X		TTMA - Senior Vice President, Food & Beverage Operations
Lapetina, Margaret	3336-03 6279-11	NJ			X		TTMA - Vice President, Player Development
Leahy, Thomas	3379-03	NY		X			TCA - Member, Board of Partner Representatives and Audit Committee TCHC - Director

Leuck, Helmut	3479-03 6753-11			X			TCA - Vice President, Food & Beverage
Liu, Gwo Shinan (Tony)	3338-03 6470-11	NJ			X		TTMA - Vice President, International Marketing
Ma, Jenny	3339-03 6300-11	NJ			X		TTMA - Vice President, International Marketing
Martin, Donna	5886-11			X			TCA - Vice President, Customer Development
Mascio, Vincent	3340-03 2864-11	NJ			X		TTMA - Vice President, Casino Manager
McCarthy, Francis X., Jr.	3341-03 1015-11	NJ	X	X	X	X	TCS - Executive Vice President of Finance TACA - Chief Financial Officer TACFI - Chief Financial Officer TACFI2 - Chief Financial Officer TACFI3 - Chief Financial Officer TACHI - Chief Financial Officer THCRFI - Chief Financial Officer and Executive Vice President of Corporate Finance THCRH - Chief Financial Officer and Executive Vice President of Corporate Finance THCRI - Chief Financial Officer and Executive Vice President of Corporate Finance
McFadden, Daniel	3521-03 7167-11	NJ		X			TCA - Director of Finance
Mitoulis-Pierelli, Elefteria	6748-11	NJ			X		TTMA - Vice President, Customer Development
Moy, Muriel M.	3368-03 6272-11	NJ	X				TPA - Vice President, Far East Marketing
Mullan, Normand J.	3343-03 4627-11	NJ			X		TTMA - Vice President, Casino Marketing Administration
Mullin, Larry	3383-03 4070-11	NJ		X			TCA - Senior Vice President of Marketing
Nielson, Stephanie	3344-03 5255-11	NJ			X		TTMA - Vice President, Entertainment, Advertising & Public Relations
Niglio, Nicholas J.	3345-03 152-11	NJ			X		TTMA - Executive Vice President, International Marketing

O'Malley, Patrick	3346-03 3193-11	NJ			X		TTMA - Executive Vice President, Finance
Oskiera, Stephen	3449-03 4074-11	NJ		X			TCA - Vice President of Finance TCFI - Chief Financial Officer, Chief Accounting Officer and Assistant Treasurer TCHC - Chief Financial Officer and Assistant Treasurer
Pacholder, Asher	3384-03	NJ		X			TCA - Member, Audit Committee and Board of Partner Representatives TCHC - Director
Pickus, Robert M.	3347-03 3193-11	NJ	X	X	X	X	TPA - Executive Vice President of Corporate & Legal Affairs TCA - Executive Vice President of Corporate & Legal Affairs, Secretary and Member, Board of Partner Representatives TTMA - Executive Vice President of Corporate & Legal Affairs TCS- President TACA - Executive Vice President TACC - Secretary TACFI - Director and Secretary TACFI2 - Director and Secretary TACFI3 - Director and Secretary TACHI - Secretary TCFI - Secretary TCHC - Director and Secretary THCREI - Director, Vice President and Secretary THCRHC - Director and Secretary THCRI - Executive Vice President, General Counsel and Secretary THCRLP - Director and Secretary
Polisano, Joseph	4284-11 051-011	NJ	X	X	X	X	TCS - Vice President of Project Development
Prakash, Stephen	3370-03 6705-11	NJ	X				TPA - Vice President, Food & Beverage
Prieto, Rodolfo	3349-03 6450-11	NJ			X		TTMA - President and Chief Operating Officer TACHI - Vice President
Rando, Charles	6291-11	NJ	X				TPA - Vice President of Casino Games

Ribis, Nicholas L.	3350-03 5205-11	NJ	X	X	X	X	TPA - Chief Executive Officer TCA - Chief Executive Officer and Member, Board of Partner Representatives TTMA - Chief Executive Officer TCS- President and Chief Executive Officer TACA - President and Chief Executive Officer TACC - President TACFI - Director, Chief Executive Officer and President TACFI2 - Director, Chief Executive Officer and President TACFI3 - Director, Chief Executive Officer and President TACHI - Director and President TCFI - President and Chief Executive Officer TCHC - Director, President and Chief Executive Officer TCI - Vice President and Secretary TCI2 - Vice President THCREI - Director, President THCRFI - Director, President and Chief Executive Officer THCRH - Chief Executive Officer THCRHC - Director and Vice President THCRI - Director, President, Chief Executive Officer and Security Holder THCRLP - Director and Vice President
Rodriguez, Sandra R.	4502-11		X	X	X	X	TCS - Vice President of Employee Relations
Ryan, Paul R.	3385-03	NJ		X			TCA - Vice President of Hotel Operations
Ryan, Peter M.	3351-03	NJ	X	X	X	X	THCRFI - Director THCRI - Director and Member, Special and Audit Committees
Sachs-Lewin, Dawnie	3352-09 5279-11	NJ			X		TTMA - Vice President, Customer Development
Santoro, Richard M.	3362-03 5247-11	NJ		X			TCA - Vice President, Security
Schaffhauser, Robert	4604-11	NJ	X				TPA - Executive Vice President, Finance
Schunk, Christopher	3523-93 5059-11		X				TPA - Director of Junket Marketing

Schutz, Heinz	3353-03 6256-11	NJ			X		TTMA - Vice President, Hotel Operations
Semon, Lillian A.	3372-03 5224-11	NJ	X				TPA - Vice President of Bus Operations
Smith, Kevin S.	3354-03 6259-11	NJ	X	X	X	X	TCS - Vice President of Corporate Litigation & Risk Management TACA - Vice President, Corporate Litigation & Risk Management
Somma, Joseph	3355-03 163-11	NJ			X		TTMA - Vice President, Customer Development/New York Office
Swanseen, Karl	3357-03 3720-11	NJ	X	X	X	X	TCS - Vice President of Information Technology
Thomas, Donald M.	3358-03	NY	X	X	X	X	TACFI - Director TACFI2 - Director TACFI3 - Director TACHI - Director THCRFI - Director THCRI - Director and Member, Special and Audit Committees
Trump, Donald, J.	3359-03 028-001	NY	X	X	X	X	TCA - Chairman of Board of Partner Representatives TACC - Sole Director TACFI - Director and Chairman of the Board TACFI2 - Director and Chairman of the Board TACFI3 - Director and Chairman of the Board TACHI - Director TCFI - Director and Chairman of the Board TCHC - Director, Chairman of Board and Treasurer TCI - Director, Chairman of the Board, President and Treasurer TCI2 - Sole Director, President and Treasurer THCREI- Director, Chairman of the Board THCRFI - Director, Chairman of the Board THCRHC - Director Chairman of the Board, President and Treasurer THCRI - Director, Chairman of the Board and Shareholder THCRLP - Director, Chairman of the Board, President and Treasurer
Viscount, Loretta	3360-03 5102-11	NJ			X		TTMA - Vice President, Legal Affairs TACHI - Assistant Secretary

Vuong, Ben	3447-03 5972-11	NJ			X	TTMA - Vice President, International Marketing/Far East
Wachenheim, George	4024-11 038-090	NJ			X	TTMA - Vice President, Labor Management
Wright, James L.	3361-03 3507-11	NJ			X	TTMA - Executive Director of Finance
Wu, Wei Feng	6887-11			X		TCA - Vice President International Marketing - Far East

TCA - Trump's Castle Associates
 TPA - Trump Plaza Associates
 TTMA - Trump Taj Mahal Associates
 TCS - Trump Casino Services, L.L.C.

TACA - Trump Atlantic City Associates
 TACC - Trump Atlantic City Corporation
 TACFI - Trump Atlantic City Funding, Inc.
 TACFI2 - Trump Atlantic City Funding II, Inc.
 TACFI3 - Trump Atlantic City Funding III, Inc.
 TACHI - Trump Atlantic City Holding, Inc.
 TC - Trump Communications, L.L.C.
 TCFI - Trump's Castle Funding, Inc.
 TCHC - Trump's Castle Hotel and Casino, Inc.
 TCI - Trump Casinos, Inc.
 TCI2 - Trump Casinos II, Inc.
 TACFI - Trump Atlantic City Funding, Inc.
 THCREI - THCR Enterprises, Inc.
 THCRELLC - THCR Enterprises, L.L.C.
 THCRFI - Trump Hotels & Casino Resorts Funding, Inc.
 THCRH - Trump Hotels & Casino Resorts Holdings, L.P.
 THCRHC - THCR Holding Corp.
 THCRI - Trump Hotels & Casino Resorts, Inc.
 THCRLP - THCR/LP Corporation

EXHIBIT 4

FINANCIAL SOURCES

	TPA	TCA	TTMA	TCS
Trump Castle Funding, Inc.		X		
Trump Castle Hotel and Casino, Inc.		X		
Trump Atlantic City Associates	X	X	X	X
Trump Atlantic City Funding, Inc.	X	X	X	X
Trump Atlantic City Funding II, Inc.	X	X	X	X
Trump Atlantic City Funding III, Inc.	X	X	X	X
THCR Funding, Inc.	X	X	X	X
THCR Holdings, L.P.	X	X	X	X
U.S. Bank, N.A.	X	X	X	X
TransAmerica Insurance Finance Corp.	X	X	X	
A.I. Credit Corp.	X	X	X	
Madison Leasing	X	X		X
AT&T	X	X	X	
NEC America	X		X	
AC Coin & Slot Service	X	X	X	
IBM	X	X	X	X
National Star Leasing Co	X	X	X	X
Near North Insurance Brokerage	X	X	X	
Columbia Federal Savings	X			
R & R Associates	X			
Albert & Robert Rothenberg	X			
Xerox Corp.		X	X	
Felco Commercial Service			X	
Aristocrat, Inc.	X	X	X	
Sigma Game, Inc.	X	X	X	

TPA = Trump Plaza Associates
TCA = Trump's Castle Associates
TTMA = Trump Taj Mahal Associates
TCS = Trump Casino Services, L.L.C.

EXHIBIT 5

Proposed Renewal Licensing Conditions

1. Imputed Holding Company Status

- a. As to the casino renewal licenses of TPA, TTMA, TCS and TCA, each should carry the following condition with regard to imputed holding company status:

"Trump Communications, Trump Funding, TAC Funding, TAC Funding II and TAC Funding III, although not holding companies, shall comply with N.J.A.C. 19:43-1.1, 2.3, 2.5, 2.7, 2.8, 2.9, 8.1 and 19:45-1.4 and 1.7, as if those entities were each a holding company."

- b. As to the casino renewal license of TCA an additional entity, TCF, should be included in the foregoing listing of the above-quoted condition.

2. Audit Committee

- a. Each of the three casino operating entity renewal licenses (TCA, TTMA and TCA) should continue to have a conformed condition requiring an audit committee as follows:

"(Licensee) shall continue to maintain an audit committee, at either the casino licensee or holding company level, which audit committee shall be comprised of at least three members, the majority of whom shall be independent of management."

- b. TCS' casino renewal license has not previously been so conditioned, and no such condition now appears necessary.

3. Due Diligence

- a. Each of the four casino renewal licenses should continue to have a conformed condition requiring the use of due diligence procedures as follows:

"(Licensee) and its holding companies shall conform to the due diligence procedures as approved by the Commission."

- b. Petitioners have requested that the aforementioned approved due diligence procedures be modified to exclude Donald J. Trump, individually, and the Trump Organization from its scope given his change in status from sole

proprietor to major stock holder of the various casino licensees. The Division would not object to such a limited change in the scope of the due diligence procedures, subject to the Commission approval of any redraft of those procedures.

4. DJT Notice Condition

Each of the four casino renewal licenses should continue to have the following notice condition:

"DJT shall submit to the Commission and the Division immediate notice of any default or the occurrence of any event of default under any loan agreement by DJT or his affiliates, other than casino licensees, their qualifying entities and their affiliates, for which DJT has pledged or in the future pledges or otherwise grants or has granted a security interest in any direct or indirect interest he holds in a casino licensee."

5. Each of the casino renewal licenses should continue to carry a mid-term financial forecast requirement conformed to each of their licensing periods as follows:

"(Licensee) and THCR shall provide to the Commission and Division, at least 90 days but no more than 120 days prior to the second anniversary of the effective date of the licensee's renewed casino license, financial forecasts for the remainder of the license term."

6. The casino renewal license of TCS should continue to carry a cross reference to conditions previously imposed under Commission Resolutions Nos. 96-14-4-A and 96-20-7, which mandate prior Commission approval for certain types of changes specified therein.